



FY 2023 Operating and Capital Budgets

Board of Port Commissioners
June 23, 2022

The information contained in this presentation 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 thereof, and may differ from the information and figures contained in the Port's final adopted budget. The overall cost of the Port's capital projects is subject to change, and the variance from the cost estimates reflected herein could be material. The Port is not obligated to and does not plan to issue any updates or revisions to this presentation.

Key Budget Objectives

- **Cash/Liquidity:** Remain focused on maintaining strong cash/liquidity reserves to manage operational, financial and economic disruptions outside the Port's control, and establish working capital, self-insurance, security deposit, capital investment and debt service funds to ensure the Port maintains adequate cash balances to meet long-term obligations.
- **Debt:** Maintain discipline of paying down portion of outstanding commercial paper notes, in addition to required bond payments. Issue debt as necessary to fund the Port's 5-Year CIP.
- **Operating:** Demonstrate smart, prudent and thoughtful budgeting to support long-term financial strength, resiliency and sustainability.
- **Capital Investments:** Strategically identify, prioritize and appropriately plan major capital projects with a focus on health, safety, regulatory compliance, on-going or imminent revenue generating projects, asset management and essential infrastructure investments.
- **Financial Metrics:**
 - Improve Aviation, Maritime, CRE and Utilities operating margins
 - Control Airport Cost per Enplanement (CPE)
 - Achieve minimum Bond Debt Service Coverage Ratio of 1.40x
 - Achieve minimum projected cash balance on June 30*, sufficient to fund Operating Expense in the succeeding fiscal year.
(excluding PFC & CFC balances, and contractor retention held in escrow)
 - Maintain Board Reserves, consistent with policy, of approximately \$79.4 million

* June 30 cash balance is used to pay upcoming November 1 debt payment of \$22.0 million, construction contracts already executed, 5-Year Capital Improvement Plan, day-to-day operating expenses and unfunded liabilities; balance also includes contractor retention not held in escrow and security deposits.

Proposed FY 2023 Budget

Uses of Funds	(\$000s)
Operating Expenses (Cash Basis)*	\$275,144
Debt Service	83,380
Capital Expenses	112,404
Restricted Cash Transfers	1,313
Other Expenses	5,343
Increase to Cash Reserve	3,188
Total Uses of Funds	\$480,772

Sources of Funds	(\$000s)
Cash from Operations	\$408,023
Grant Reimbursement	51,530
Passenger Facility Charges (PFCs) for Capital/Debt Service	19,275
Interest Income	1,944
Total Sources of Funds	\$480,772

* Excludes depreciation, and non-cash adjustments to pension liability.

Proposed FY 2023 Budget vs FY 2022 Budget

(\$ millions)	FY 2023 Proposed	FY 2022 Budget	Difference	% Change
Operating Revenues	\$408.0	\$372.7	\$35.3	+9.5%
Operating Expenses (excl. Depreciation)	\$268.1	\$255.7	\$12.4	+4.9%
Operating Income before Depreciation	\$139.9	\$117.0	\$22.9	+19.6%
Operating Income	\$25.0	\$4.6	\$20.4	445.2%
Debt Service	\$83.4	\$92.8	(\$9.4)	-10.0%
Capital Budget	\$112.4	\$102.9	\$9.5	+9.2%
Bond Debt Service Coverage Ratio	2.17x	1.81x	0.36x	n/a
Board Established Reserves	\$79.4	\$77.0	\$2.4	+3.1%
Full Time Equivalents (FTEs)*	539	515	24	+4.7%
Projected Cash Balance 6/30**	\$455.7	\$361.7	\$94.0	+26.0%

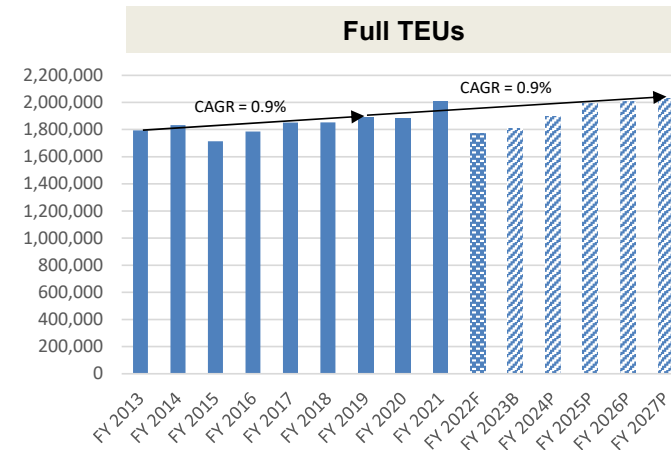
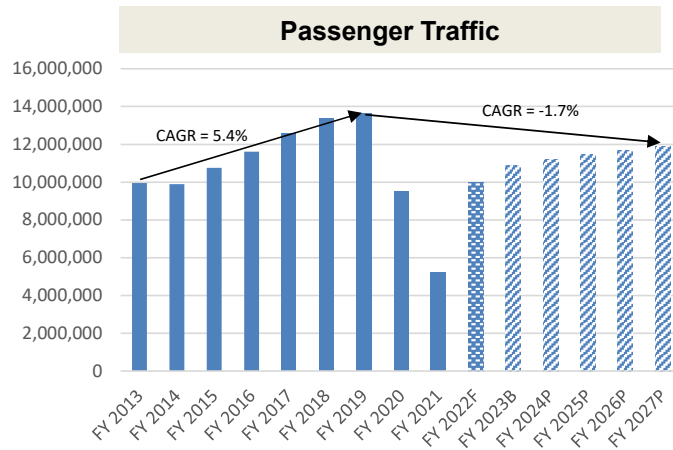
*Includes 45 FTE's that have been fully or partially frozen for the FY 2023 budget and 31 FTE's for the FY 2022 budget

**Excludes Board Reserves

Projected Revenues and Traffic Forecast

(\$ millions)

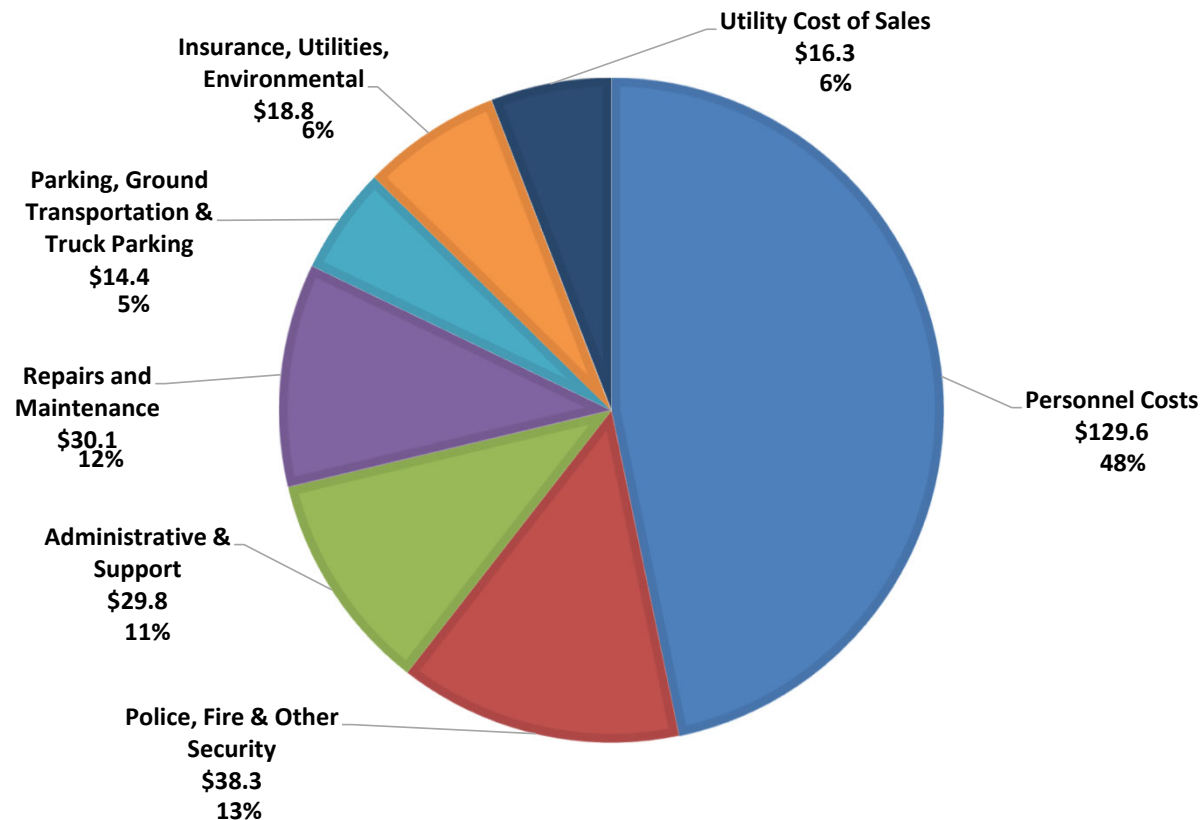
	FY 2021 Actual	FY 2022 Budget	FY 2022 Anticipated	FY 2023 Proposed Budget	Change Compared to FY 2022 Budget	Change Compared to FY 2022 Anticipated
Aviation	\$149.0	\$156.3	\$182.1	\$185.8	+18.8%	+2.0%
Maritime	169.4	176.9	176.1	179.7	+1.6%	+2.0%
CRE	13.8	14.6	15.1	16.7	+13.8%	+10.1%
Utilities	21.9	24.8	25.3	25.9	+4.6%	+2.2%
Total	354.1	372.7	398.7	408.0	+9.5%	+2.3%



Preliminary Numbers – Subject to Change

FY 2023 Operating Expenses are Budgeted at \$268.1 Million which Represents a 4.9% Increase from FY 2022 Budget*

(\$ millions)



- +11.7% Increase from FY 2022 Anticipated Actuals (\$240.1M)
- +14.1% Increase from FY 2021 Budget (\$234.9M)
- +3.2% Increase from FY 2020 Budget (\$259.6M)

* Excluding depreciation and net of Labor and Overhead Allocated to Capital Expenses.

Preliminary Numbers – Subject to Change

Operating Expenses are Budgeted to Increase \$12.4 Million, or 4.9% in FY 2023; Eight Line Items Drive the Increase

	Operating Expenses	Change from FY 2022B \$millions	% Change from FY 2022B
1	Aviation Security*	\$3.0	+12.4%
2	Personnel Costs	2.5	+2.0%
3	Utilities Cost of Sales	1.9	+14.3%
4	Major Maintenance – Maritime	1.8	+37.8%
5	Parking & Ground Transportation	1.5	+11.4%
6	OAB Cost Share – Maritime	0.7	+230.0%
7	Maintenance and Repairs	0.7	+7.4%
8	Insurance Premiums	0.7	+13.4%
	Net Decrease of Other Expenses	-0.3	-0.6%
	Total	\$12.4	4.9%

* Portions of the increases will be included in FY 2023 Airline rates and charges.

FY 2023 Proposed Personnel Expense Breakdown

Operating Expenses	Preliminary FY 2023 Budget \$millions	Change from FY 2022B \$millions	% Change from FY 2022B
Salaries and Wages	\$73.5	+\$5.7	+8.4%
Pension	23.6	-5.2	-18.0%
Health Care Active	11.3	0.6	+5.2%
Health Care Retirement	9.5	0.2	+1.6%
Overtime	4.4	0.5	+13.1%
Workers Compensation	2.3	0.4	+20.3%
Vacation Sick Leave	2.1	0.2	+10.9%
Medicare	1.0	0.1	+8.4%
Life, Disability, Accident Insurance	1.0	0.0	+3.5%
Training & Education	0.5	0.0	+7.2%
Other*	0.4	0.0	+7.2%
Total	\$129.6	\$2.5	+2.0%

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

City Payments, Including Parking and Utility Taxes are Anticipated to Total \$20.5 Million in FY 2023

City Payments	FY 2023 Preliminary (\$ millions)
Aircraft Rescue and Fire Fighting Services	\$6.56
General Services	1.52
Lake Merritt Maintenance	1.35
Maritime and JLS Police Service	0.81
Landscape Lighting Assessment District	0.70
Personnel, City Clerk, KTOP Services	0.39
Treasury Services	0.39
CFD Payment & CAD Reimbursement	0.31
Jack London Improvement District	0.18
Edgewater Median Maintenance*	0.06
Fireboat/OPD Patrol Boat Maintenance/CAD	0.06
Total	\$12.32
Parking and Utility Taxes	8.18
Total including Parking and Utility Taxes	\$20.50

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

Preliminary Numbers – Subject to Change

Debt service payments in FY 2023 total \$83.4 million, including anticipated repayment of \$10.0 million of commercial paper notes.

(\$ millions)

Debt	Outstanding as of June 1, 2022	Principal	Interest*	Total	Projected Outstanding as of June 30, 2023	Anticipated Final FY Repayment Date
Bonds	\$642.2	\$52.3	\$20.8	\$73.1	\$589.9	2033
Commercial Paper	42.5	10.0	0.3	10.3	32.5	2029
Total	684.7	62.3	21.1	83.4	622.4	

FY 2023 Projected Bond Debt Service Coverage Ratio: 2.17x
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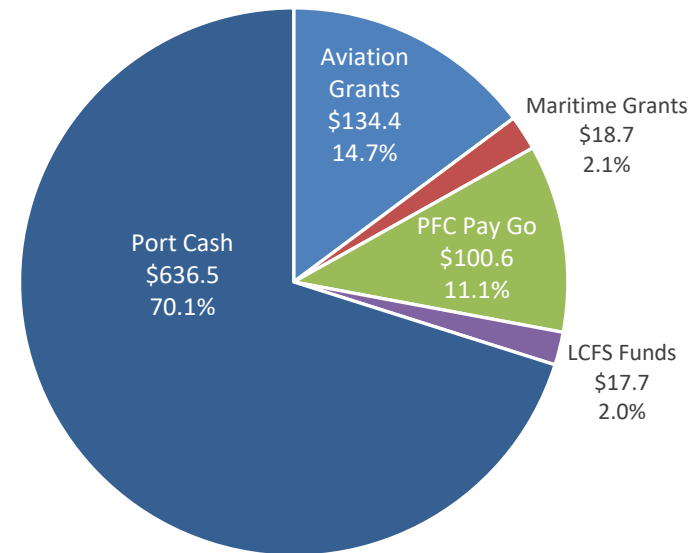
* The Commercial Paper Notes are assumed to have an average interest rate of 0.8% in FY 2023.

The Port's 5-Year Capital Improvement Plan is Updated Annually

**Preliminary 5-Year CIP
FY 2023-27
(\$ millions)**

Aviation	\$488.5	53.8%
Maritime	392.2	43.2%
Utilities	7.5	0.8%
CRE	13.5	1.5%
Support	6.2	0.7%
Total	\$907.9	100%

**Preliminary Funding Sources
FY 2023-27
(\$ millions)**



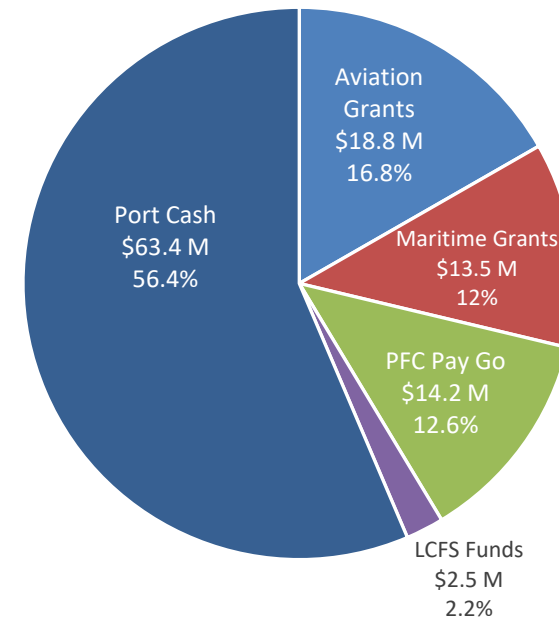
- ❑ Projects in the 5-Year CIP are at various stages; some are underway and others are in the planning or conceptual phase.
- ❑ The 5-Year CIP is updated annually, and projects may be added or removed.

Preliminary FY 2023 Capital Budget

**Preliminary Expenditures
FY 2023
(\$ millions)**

Aviation	\$69.4	61.8%
Maritime	34.7	30.8%
Utilities	0.8	0.7%
CRE	5.0	4.5%
Support	2.5	2.3%
Total	\$112.4	100%

**Preliminary Funding Sources
FY 2023
(\$ millions)**



❑ Does not include expenditures incurred prior to or subsequent to FY 2023.

FY 2023 Capital Budget -- Projects Summary	FY 2023 Capital Budget (\$ millions)	%
Airfield Projects (primarily Taxiways)	\$21.60	19.2%
Maritime (Seaport) Utility Projects	20.3	18.1%
Aviation Security Projects	17.1	15.2%
Aviation Utility Projects	9.5	8.5%
Aviation Terminal Projects	8.7	7.7%
Marine (Seaport) Terminals Projects	7.3	6.5%
Aviation Ground Access & Parking Projects	4.7	4.2%
CRE: Various Building & Tenant Improvements	4.7	4.2%
Aviation Capital Equipment	4.6	4.1%
Maritime (Seaport) Capital Equipment	3.2	2.8%
Information Technology (IT) Equipment & Systems	2.2	2.0%
Airfield Perimeter Dike Improvements	2.1	1.9%
Maritime Crane Upgrades	2.0	1.8%
Portwide Miscellaneous Facilities Projects	1.2	1.1%
Utilities Electric Projects	0.8	0.7%
Aviation Facilities Maintenance Projects	0.6	0.5%
Maritime (Seaport) Roadways Projects	0.6	0.5%
Middle Harbor Shoreline Park (MHSP) Improvements	0.5	0.4%
Maritime: Various Air Quality Initiatives	0.5	0.4%
Seaport Logistics Complex Projects	0.2	0.2%
Total	\$112.4	100%

Preliminary Numbers – Subject to Change

Preliminary FY 2023 Capital Budget (\$ millions)

Largest Individual Projects (>\$5 million)	FY 2023 Capital Budget
Taxiway Tango Rehabilitation	\$13.6
Security Enhancements, T2 Baggage Claim Exit	10.1
CCTV Program Expansion – Airport	5.0
Wharf Upgrades for Ultra Large Container Vessels	5.0
Total	\$33.7

**30% of
FY 2023
Capital
Budget**

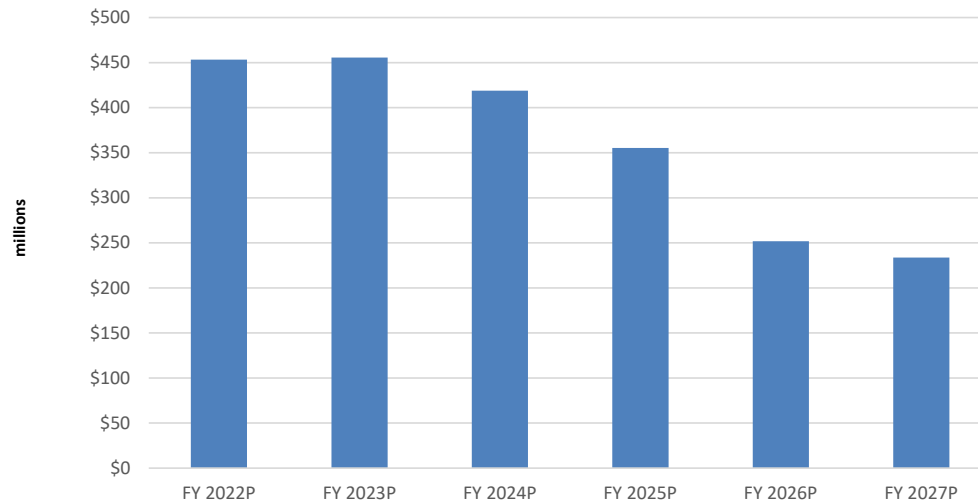
❑ Does not include expenditures incurred prior to or subsequent to FY 2023.

Seaport Air Quality 2020 and Beyond Plan

PROJECT	EXPENDITURE FY 2023-2027 (\$ millions)
Two 115kV Main Substation Replacements	\$89.0
One 12kV Substation Replacement w/ resiliency components	23.0
B20/21 Shore Power	6.5
Additional Shore Power Outlets	6.2
Powerline Capacity Upgrade	2.5
Electric Vehicle Charging Stations	2.5
Other Air Quality (various)	2.5
Maritime/17th Street Biofilter Landscaping	0.6
Utility Billing Software Optimization / Smart Metering	0.5
LED Lighting Upgrades	0.1
TOTAL	\$133.4

Projected Cash Flows

Projected June 30 General Fund Balance*



General Fund Accounts @ Year End	FY 2023 (projected)
General Fund	
Debt Service Fund (Bonds + CP) ¹	\$78.4
Self-Insurance Fund	\$9.5
Security Deposit Fund	\$9.3
Working Capital Fund	\$93.8
Capital Investment Fund	\$264.7
Total	\$455.7

¹Excludes debt service paid from passenger facility charges.

- ❑ The Port's General Fund balance changes daily and is used to pay day-to-day operating expenses, capital expenses already under contract and anticipated in the 5-year CIP, semi-annual debt service payments, and all other accrued liabilities.
- ❑ The projected General Fund balance takes into account the proposed FY 2023 operating and capital budgets, as well as the Port's updated 5-year financial forecast, including the 5-year CIP.

* Excludes Board reserves and other restricted funds.

Proposed FY 2023 and Projected FY 2024-2027 Budgets

(\$ millions)	FY 2023 Budget	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
Operating Revenues	\$408.0	\$436.7	\$457.0	\$475.4	\$488.9
Operating Expenses (excl. Depreciation)	\$268.1	\$281.3	\$282.2	\$288.0	\$295.0
Operating Income before Depreciation	\$139.9	\$155.3	\$174.8	\$187.4	\$193.9
Operating Income	\$25.0	\$39.7	\$53.0	\$60.1	\$56.8
Debt Service	\$83.4	\$83.5	\$86.0	\$83.3	\$87.8
Capital Budget	\$112.4	\$177.1	\$201.4	\$252.6	\$164.3
Bond Debt Service Coverage Ratio	2.17x	2.43x	2.29x	2.46x	2.40x
Board Established Reserves	\$79.4	\$80.2	\$80.3	\$81.0	\$81.9
Full Time Equivalents (FTEs)*	539	557	557	557	557
Projected Cash Balance 6/30**	\$455.7	\$418.9	\$355.2	\$251.9	\$233.8

*Includes 45 FTE's that have been fully or partially frozen for the FY 2023 budget

**Excludes Board Reserves



Development of FY 2023 Operating and Capital Budgets

Board of Port Commissioners
May 12, 2022

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Purpose of Presentation

Today's Presentation:

1. Recap key budget objectives and drivers
2. Present preliminary FY 2023 budget numbers
3. Present preliminary updated 5-year operating forecast and Capital Improvement Plan

Prior Presentation – March 24, 2022:

- ☐ *Provided overview of Port budget and budget process*
- ☐ *Discussed key factors influencing development of FY 2023 Budget*
- ☐ *Received Board feedback on key budget objectives and assumptions*

Key Factors Under Consideration in Developing FY 2023 Budget

- ❑ Potential future COVID surges due to new more transmissible subvariants of the SARS-CoV-2 virus, continued global supply chain challenges, rampant inflation, high fuel prices, and potential escalation of U.S. and NATO involvement in the war in Ukraine risk to upend the global economy, possibly derail the recovery at the Port and therefore warrant caution and conservative forward-looking revenue projections across all four revenue divisions.
- ❑ Right-size FY 2023 Operating and Capital Budgets to be (a) in-line with the Port's projected path to recovery, (b) reflective of what can be accomplished with targeted staffing levels, (c) responsive to immediate Port and outside regulatory compliance needs, and (d) consistent with a plan to ensure the long-term financial health of the Port.
- ❑ Fill critical FTE vacancies to eliminate operation bottlenecks at the Port.
- ❑ Add FTEs in critical positions to address deferred major maintenance expenses and the growing capital expenditure needs of the Port with a focus on asset management and essential Portwide infrastructure improvements.

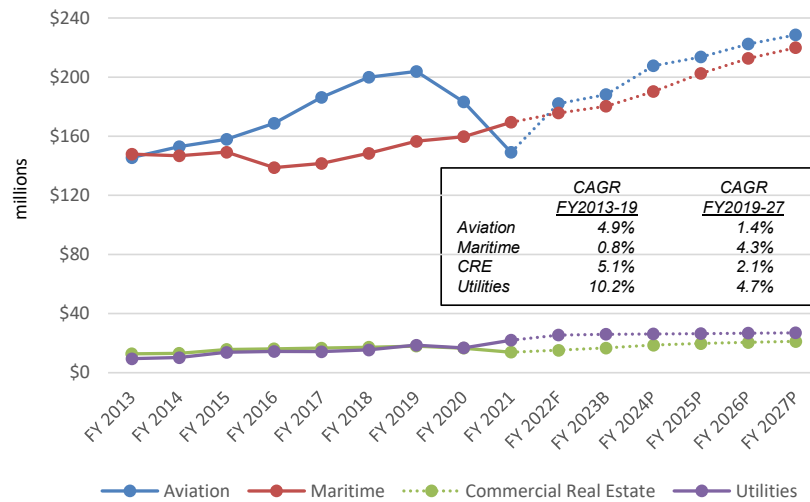
Key Budget Objectives

- ❑ **Cash/Liquidity:** Remain focused on maintaining strong cash/liquidity reserves to manage operational, financial and economic disruptions from exogenous forces beyond the Port's control, and establish working capital, self-insurance, security deposit, capital investment and debt service funds to ensure the Port maintains adequate cash balances to meet long-term obligations.
- ❑ **Debt:** Maintain discipline of paying down portions of outstanding commercial paper notes, in addition to required bond payments. Issue debt as necessary to fund the Port's 5-Year CIP.
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- ❑ **Financial Metrics:**
 - Improve operating margin at all four revenue divisions;
 - Control Airport Cost per Enplanement (CPE);
 - Maintain minimum Bond Debt Service Coverage Ratio of 1.40x at year end;
 - Achieve minimum projected cash balance on June 30* of no less than 365 days-cash-on-hand (DCOH) (excluding restricted cash);
 - Maintain Board Reserves, consistent with policy, of approximately \$80 million.

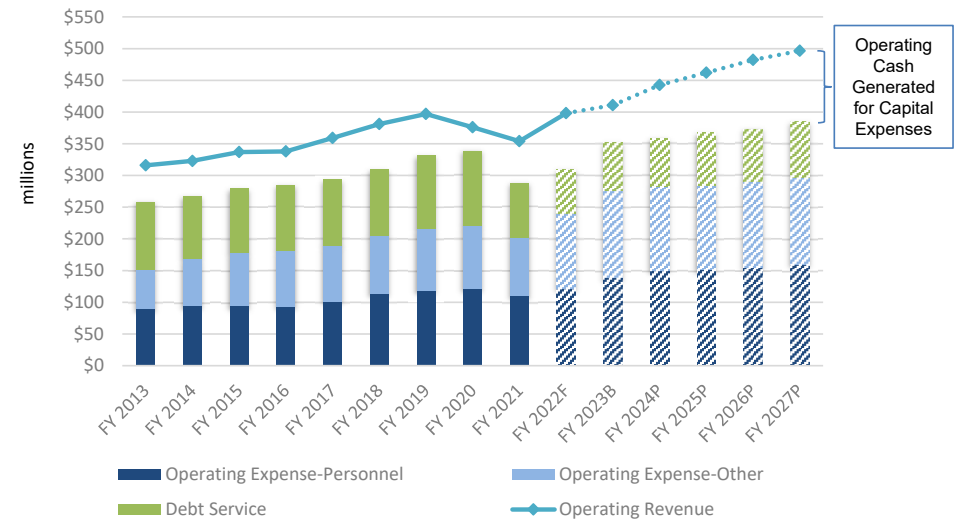
* June 30 cash balance is used to pay upcoming November 1 debt payment of \$22 million, construction contracts already executed, 5-Year Capital Improvement Plan, day-to-day operating expenses and unfunded liabilities; balance also includes contractor retention not held in escrow and security deposits.

The Development of the FY 2023 Budget Begins with Forecasting Revenues and Recognizing Fixed Costs

Operating Revenues by Division



Port-wide Operating Revenues, Operating Expenses* and Debt Service



- ❑ Debt service and personnel costs (50% of operating expenses*) are fixed and limited discretion exists with other operating expenses.

* Excluding depreciation.

Key Budget Drivers - Aviation

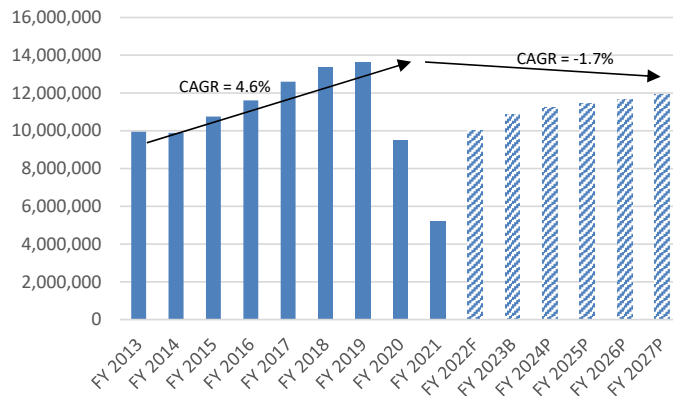
Considerations

- ❑ Both aeronautical and non-aeronautical revenues are expected to increase year-over-year as passenger traffic increases.
- ❑ Business travel forecast remains weak.
- ❑ Aging infrastructure must be addressed.
- ❑ Airport Cost per Enplaned Passenger (CPE) must be managed to maintain competitiveness across the Bay Area.

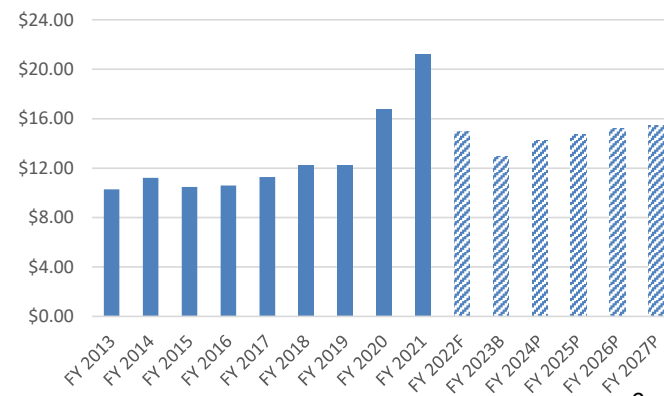
Preliminary FY 2023 Budget

- Passenger traffic and aviation revenues projected to increase 8.9% and 3.3%, respectively, compared to anticipated FY 2022 actuals.
- \$15.2 million of CARES and ARP grants programmed to reimburse aviation debt service, operating expenses, and CAPEX.
- Careful evaluation of expenses to support increased activity levels at the Airport, while maintaining cost competitiveness.

Passenger Traffic



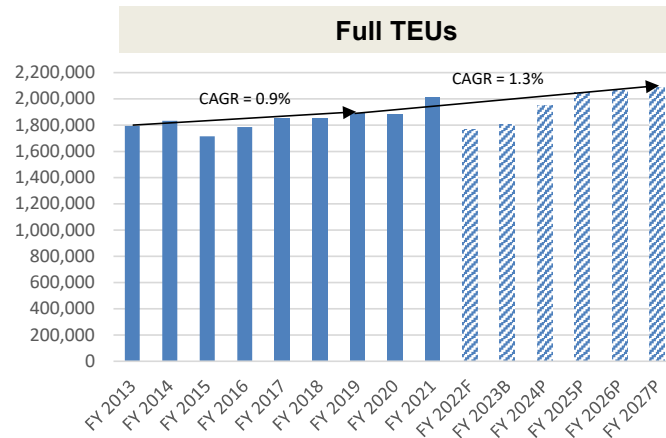
Cost Per Enplaned Passenger



Key Budget Drivers - Maritime

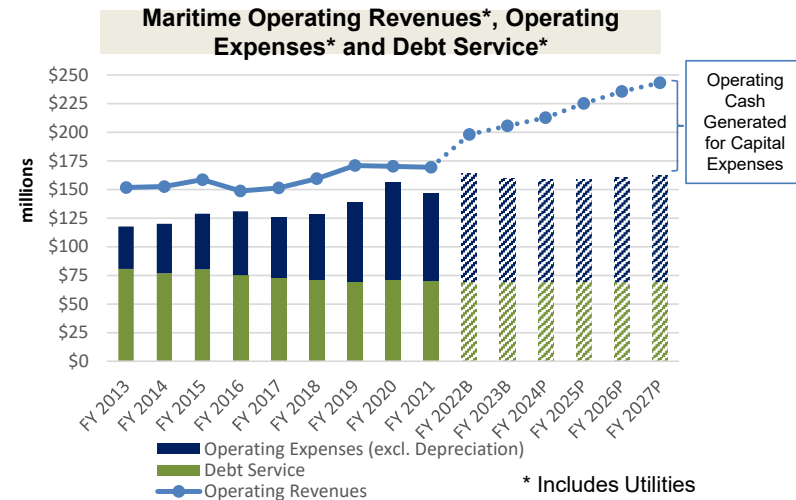
Considerations

- ❑ Continued west coast port congestion, ongoing COVID-related disruptions globally, and upcoming labor negotiations could prolong supply chain challenges.
- ❑ First port-of-call, congestion at other CA ports, new transloading capacity on-line, and strong consumer demand are positive revenue drivers.
- ❑ Aging infrastructure must be addressed including upgrades to accommodate larger cargo vessels calling at the Seaport.



Preliminary FY 2023 Budget

- Full TEUs and revenues projected to increase 2.0% and 2.6% compared to anticipated FY 2022 actuals.
- Marine Terminal revenue is projected to increase \$2.7 million compared to anticipated FY 2022 actuals.
- Increases in consulting, major maintenance and truck parking costs.
- \$20.3 million in utility capital expenditures programmed at the Seaport.



Key Budget Drivers – Commercial Real Estate

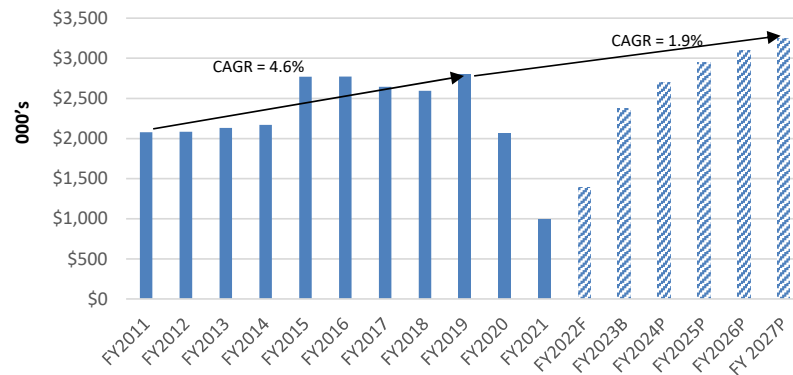
Considerations

- ❑ Parking revenues at JLS are expected to increase as foot traffic and organized activities such as festivals return to JLS.
- ❑ Vacancy factor remains low with approximately 91% of CRE properties under an existing lease.
- ❑ Variable rents for hotels and restaurants are expected to increase as pandemic related restrictions are lifted.

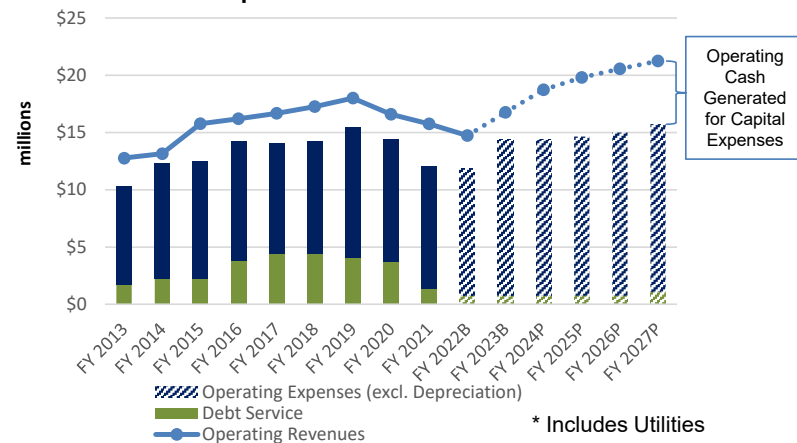
Preliminary FY 2023 Budget

- Parking revenues projected to increase \$0.5 million over anticipated FY 2022 as COVID-19 concerns wanes and more foot traffic is expected at JLS.
- Variable rent from restaurants are projected to increase \$0.3 million over anticipated FY 2022 as travel restrictions are lifted.
- Scheduled minimum rent increases based on stipulated lease terms.

Parking Lot Revenues



CRE Operating Revenues*, Operating Expenses* and Debt Service*



Key Budget Drivers - Utilities

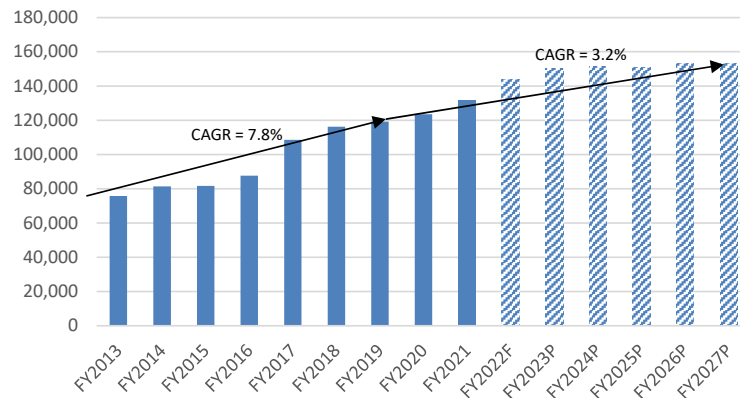
Considerations

- ❑ Increased proportion of clean energy purchases to comply with State of California mandates and Port Board adopted Renewable Portfolio Standards (RPS).
- ❑ Replace expired long-term electricity contracts Portwide with new contracts at reasonable costs.
- ❑ Drought in California may lead to higher wholesale electricity prices as demand outstrips supply for clean hydro power.

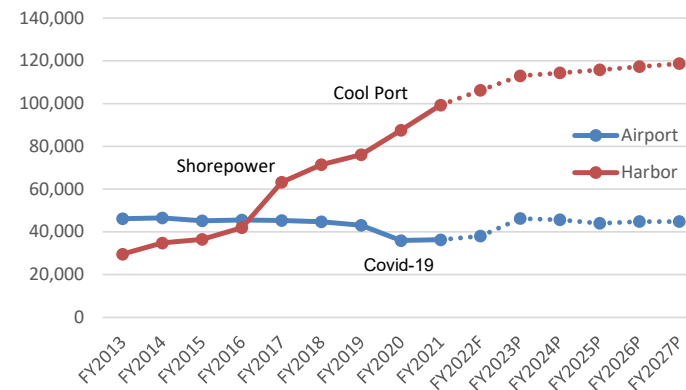
Preliminary FY 2023 Budget

- Cost of electricity is projected to increase by \$1.8 million compared to anticipated FY 2022 actuals.
- \$5.5 million and \$2.5 million in electric utility capital expenditures programmed at the Seaport and Airport, respectively.
- \$0.8 million programmed for new utility billing software, support transition to cloud-based services, and smart metering.

Port Power Annual Energy Use (MWH)



Port Power Annual Energy Use (MWH) by Area



Balancing Sources and Uses of Funds

(\$ in 000s)	FY 2023 Budget
Uses of Funds	
Operating Expenses ¹	\$276,879
Debt Service ²	83,380
Capital Expenses	111,299
Other Expenses ³	6,638
Total Uses	\$478,197
Sources of Funds	
Operating Revenues	\$410,870
Grants/Other ⁴	36,399
Passenger Facility Charges (PFCs)	16,733
Interest Income	1,954
Cash Reserves	12,241
Total Sources	\$478,197

¹ Excludes depreciation.

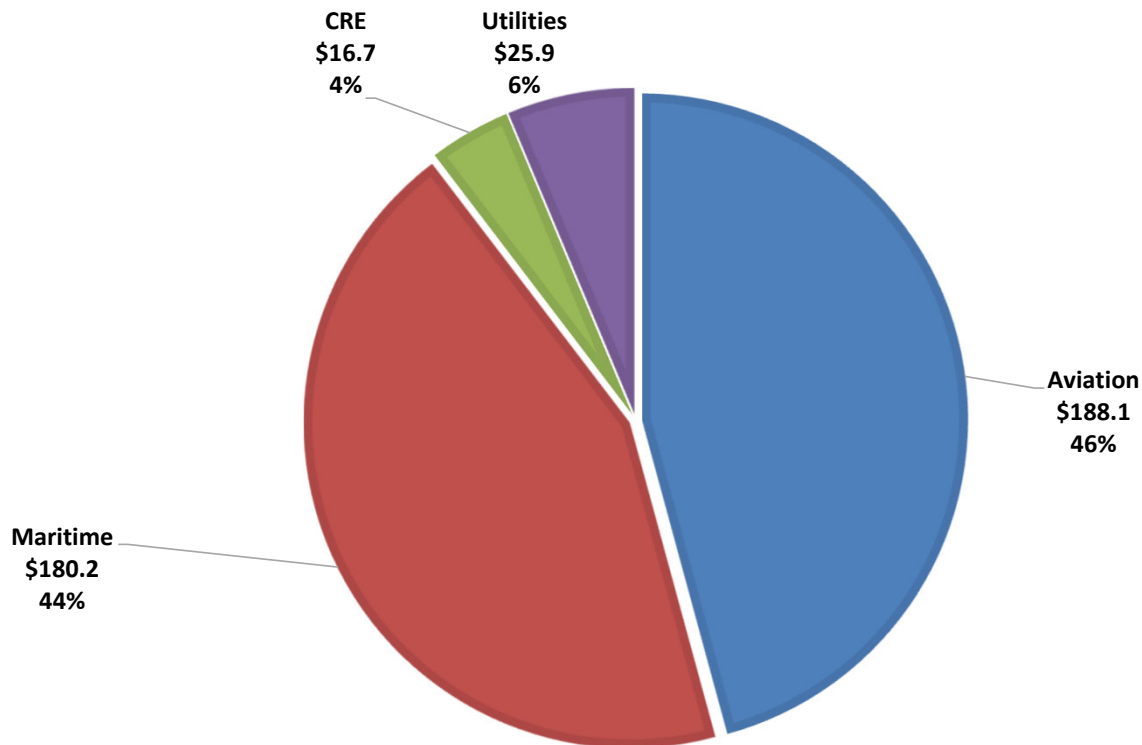
² Includes \$10.0 million repayment of CP notes and associated interest. Of this amount, approximately \$5.1 million of CP Notes and associated interest is anticipated to be repaid with PFCs. The interest rate on the CP notes is assumed to be 0.8% in FY 2023.

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

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

FY 2023 Operating Revenues are Preliminarily Budgeted at \$410.9 Million which Represents a 10.2% Increase from FY 2022 Budget

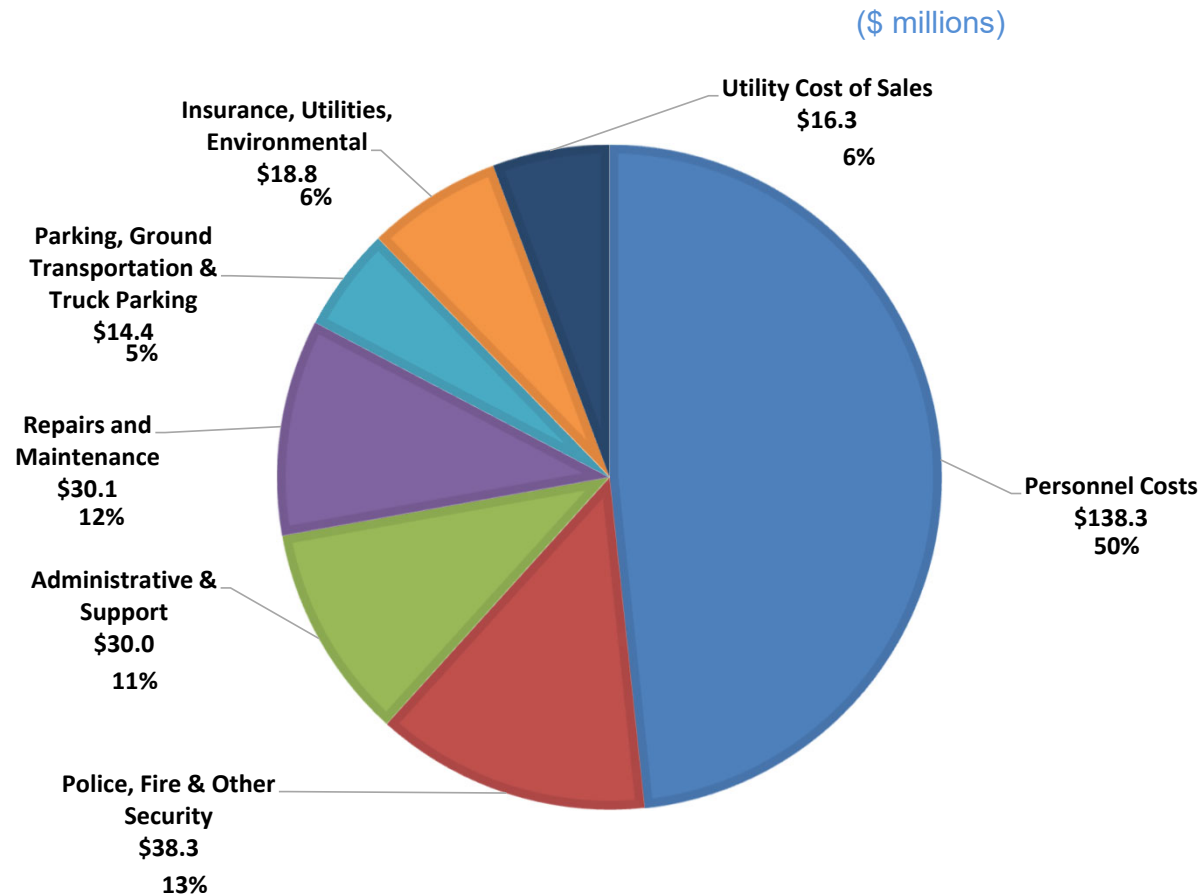
(\$ millions)



- +3.2% Increase from FY 2022 Anticipated Actuals (\$398.3M)
- +16.0% Increase from FY 2021 Actuals (\$354.1M)
- +3.5% Increase from FY 2020 Actuals (\$397.0M)

Preliminary Numbers – Subject to Change

FY 2023 Operating Expenses are Preliminarily Budgeted at \$276.9 Million which Represents an 8.3% Increase from FY 2022 Budget*



- +15.3% Increase from FY 2022 Anticipated Actuals (\$240.1M)
- +17.9% Increase from FY 2021 Budget (\$234.9M)
- +6.7% Increase from FY 2020 Budget (\$259.6M)

* Excluding depreciation and net of Labor and Overhead Allocated to Capital Expenses.

Factoring Depreciation, FY 2023 Operating Expenses Represent a 6.4% Increase Over FY 2022 Budgeted Expenses

Operating Expenses	Proposed FY 2023B \$millions	Change from FY 2022B \$millions	% Change from FY 2022B
Personnel Services	\$138.3	\$11.2	8.8%
Contractual Services	102.6	7.2	7.6%
Supplies	6.1	0.3	4.6%
General & Administrative	23.5	1.5	6.9%
Utilities	16.3	1.6	11.2%
Departmental Credits	-9.8	-0.7	-8.1%
Operating Expenses before Dep'n	276.9	21.1	8.3%
Depreciation & Amortization	114.8	2.5	2.2%
Total Operating Expenses	\$391.7	\$23.6	6.4%

Eight Line Items Drive the Increase in Operating Expenses

	Operating Expenses	Change from FY 2022B \$millions	% Change from FY 2022B
1	Personnel Costs	\$11.2	8.8%
2	Aviation Security*	3.0	12.4%
3	Utilities Cost of Sales - Electricity	1.9	14.3%
4	Major Maintenance – Maritime	1.8	37.8%
5	Parking & Ground Transportation	1.5	11.4%
6	Oakland Mitigation	0.7	230.0%
7	Maintenance and Repairs	0.7	7.4%
8	Insurance Premiums	0.7	13.4%
	Net Decrease of Other Expenses	-0.3	-10.9%
	Total	\$21.1	8.3%

* Portions of the increases will be included in FY 2023 Airline rates and charges.

FY 2023 Preliminary Personnel Expense Breakdown

Operating Expenses	FY 2023 Preliminary Budget \$millions	Change from FY 2022B \$millions	% Change from FY 2022B
Salaries and Wages	\$74.8	+\$7.0	+10.3%
Pension	30.8	2.0	6.8%
Health Care Retirement	9.5	0.2	1.6%
Health Care Active	11.5	0.8	7.3%
Overtime	4.4	0.5	13.1%
Workers Compensation	2.2	0.4	20.3%
Vacation Sick Leave	2.1	0.2	10.9%
Medicare	1.1	0.1	10.3%
Life, Disability, Accident Insurance	1.0	0.1	5.7%
Training & Education	0.5	0.0	7.2%
Other*	0.4	0.0	12.7%
Total	\$138.3	\$11.2	+8.8%

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

Non-Operating Expenses are Also Part of the Port's Budget

Non-Operating Expenses	(\$millions)
City General Services	1.5
Demolition of Assets	1.4
Lake Merritt Maintenance	1.4
Debt Fees – Rating Agency, Letter of Credit	1.2
Total	\$5.5

City Payments, Including Parking and Utility Taxes are Anticipated to Total \$20.5 Million in FY 2023

City Payments	FY 2023 Preliminary (\$ millions)
Aircraft Rescue and Fire Fighting Services	\$6.56
General Services	1.52
Lake Merritt Maintenance	1.35
Maritime and JLS Police Service	0.81
Landscape Lighting Assessment District	0.70
Personnel, City Clerk, KTOP Services	0.39
Treasury Services	0.39
CFD Payment & CAD Reimbursement	0.31
Jack London Improvement District	0.18
Edgewater Median Maintenance*	0.06
Fireboat/OPD Patrol Boat Maintenance	0.04
Total	12.32
Parking and Utility Taxes	8.18
Total including Parking and Utility Taxes	\$20.50

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

Preliminary Numbers – Subject to Change

Debt Service Payments in FY 2023 Total \$83.4 Million, Including Anticipated Repayment of \$10.0 Million of Commercial Paper Notes

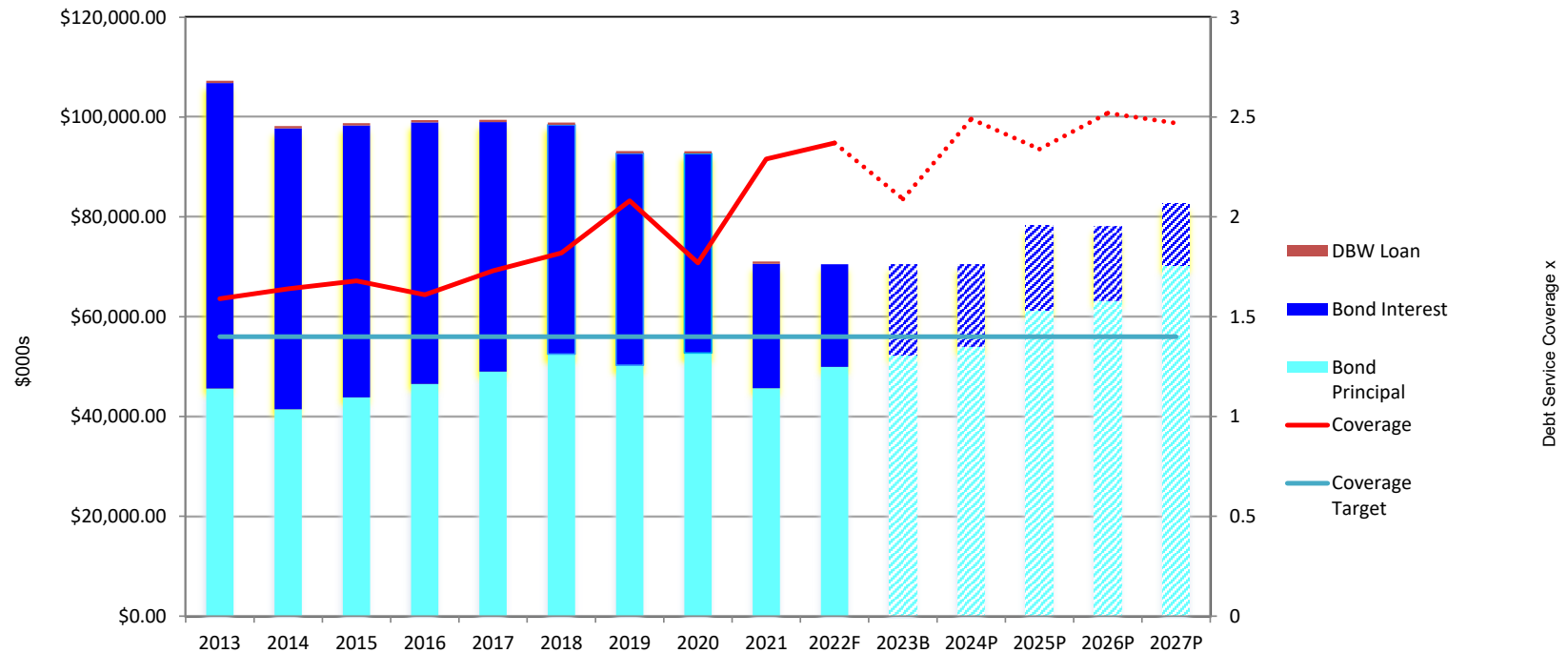
(\$ millions)

Debt	Principal	Interest*	Total	Outstanding as of May 3, 2022	Anticipated Final FY Repayment Date
Bonds	\$52.3	\$20.8	\$73.1	\$642.1	2033
Commercial Paper	10.0	0.3	10.3	42.5	2029
Total	\$62.3	\$21.1	\$83.4	\$684.6	

FY 2023 Projected Bond Debt Service Coverage Ratio: 2.09x

* The Commercial Paper Notes are assumed to have an average interest rate of 0.80% in FY 2023.

Debt Service Coverage



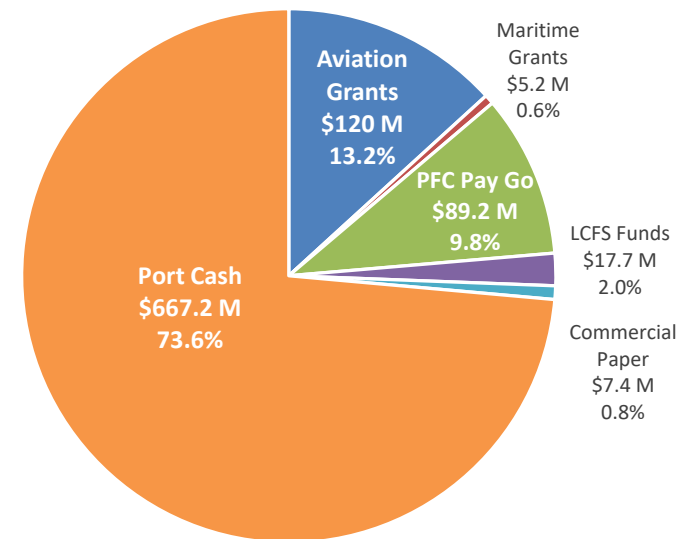
- ❑ **Debt Service Coverage (DSC)** measures the Port's ability to meet day-to-day operating costs and debt service payments and resiliency to weather downturns in the economy and Port businesses. DSC is net revenues divided by debt service (excluding repayments of outstanding CP Notes, as well as debt service funded by grants such as CARES, CRRSA or ARP). Net revenues is operating revenues less operating expenses (excluding depreciation and CARES, CRRSA and ARP grant-funded operating expenses).

The Port's 5-Year Capital Improvement Plan is Updated Annually

**Preliminary 5-Year CIP
FY 2023-2027
(\$ millions)**

Aviation	\$487.7	53.8%
Maritime	391.9	43.2%
CRE	13.4	1.5%
Utilities	7.6	0.8%
Support	6.2	0.7%
Total	\$906.8	100%

**Preliminary Funding Sources
FY 2023-2027
(\$ millions)**



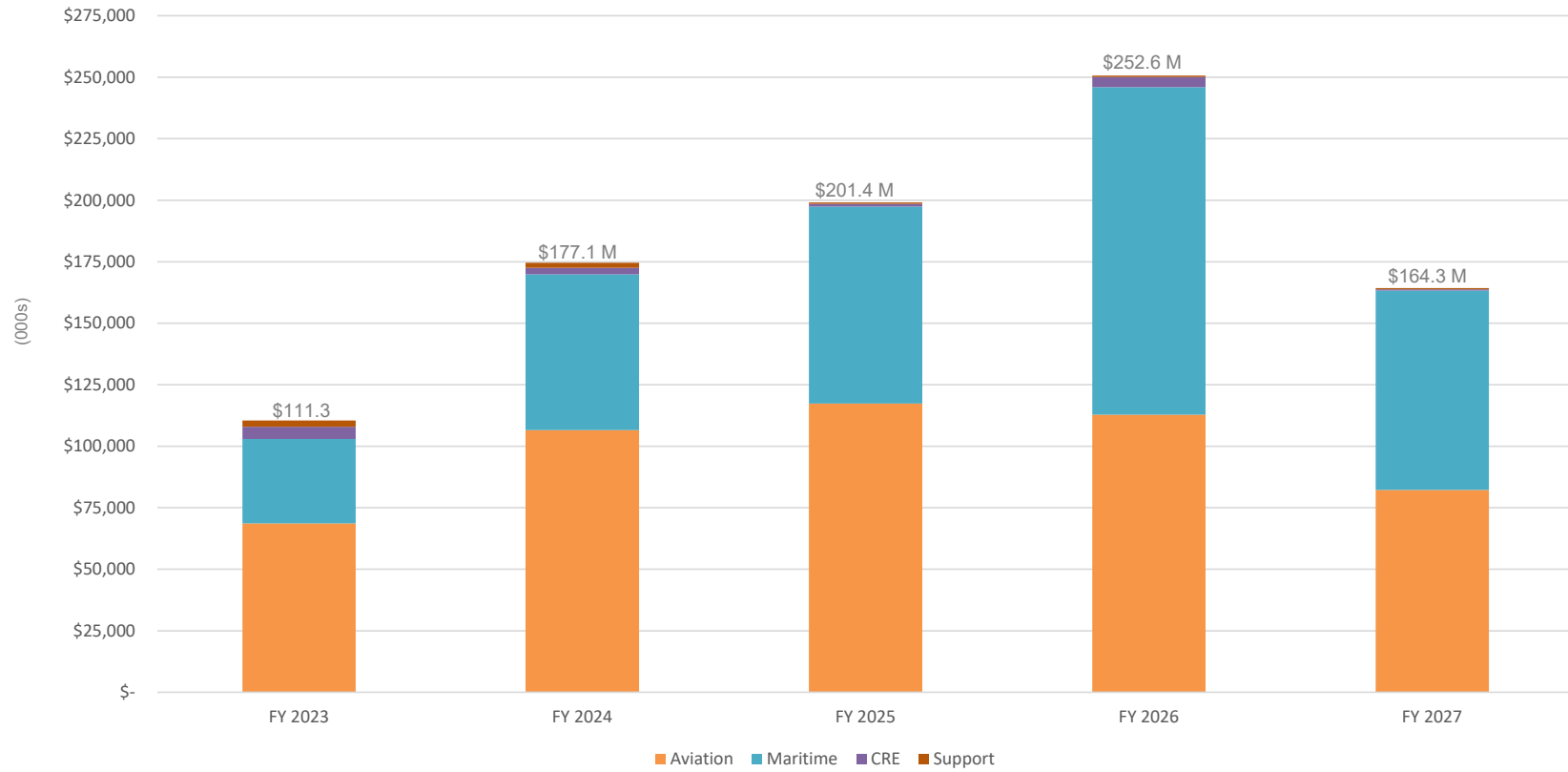
- ❑ Projects in the 5-Year CIP are at various stages; some are underway and others are in the planning or conceptual phase.
- ❑ The 5-Year CIP is updated annually, and projects may be added or removed.

Preliminary Numbers – Subject to Change

Preliminary 5-Year Capital Improvement Plan

FY 2023-2027

\$906.8 million



Preliminary 5-Year Capital Improvement Plan FY 2023-2027

(\$ millions)

Preliminary 5-Year CIP Projects Summary	FY 2023-2027
Maritime Utility Projects	\$173.7
Aviation Terminal Projects	136.3
Maritime Dredging (50-foot project closeout)	103.5
Airfield Projects (primarily Runways & Taxiways)	100.7
Aviation Utility Projects	85.4
Marine Terminals Projects	67.1
Aviation Ground Access & Parking Projects	54.9
Aviation Security Projects	47.9
Airfield Perimeter Dike Improvements	41.4
Aviation Capital Equipment	17.8
Middle Harbor Shoreline Park (MHSP) Improvements	16.1
Maritime Roadway Projects	12.7
CRE: Various Building & Tenant Improvements (primarily JLS)	11.8

Preliminary 5-Year CIP Projects Summary	FY 2023-2027
Maritime Capital Equipment	9.5
Utilities Electric Projects	7.6
Portwide Miscellaneous Facilities Projects	5.6
Information Technology (IT) Equipment & Systems Projects	4.6
Seaport Logistics Complex Projects	3.0
Maritime Air Quality Initiatives	2.5
Maritime Crane Upgrades	2.5
Harbor Facilities Improvements	1.4
Aviation Facilities Maintenance Projects	0.8
Total	\$906.8

- ☐ Capital investments must be strategic, appropriately prioritized and well-planned.
- ☐ CIP does not include expenditures incurred prior to FY 2023.

Preliminary Numbers – Subject to Change

Preliminary FY 2023 Capital Budget (\$ millions)

FY 2023 Capital Budget -- Projects Summary	FY 2023 Capital Budget (\$ millions)	%
Airfield Projects (primarily Taxiways)	\$21.60	19.4%
Maritime (Seaport) Utility Projects	20.3	18.2%
Aviation Security Projects	17.1	15.4%
Aviation Utility Projects	9.5	8.5%
Marine (Seaport) Terminals Projects	7.3	6.6%
Aviation Ground Access & Parking Projects	4.7	4.2%
CRE: Various Building & Tenant Improvements	4.7	4.2%
Aviation Capital Equipment	3.8	3.4%
Maritime (Seaport) Capital Equipment	2.9	2.6%
Information Technology (IT) Equipment & Systems	2.2	2.0%
Airfield Perimeter Dike Improvements	2.1	1.9%
Maritime Crane Upgrades	2.0	1.8%
Portwide Miscellaneous Facilities Projects	1.2	1.1%
Utilities Electric Projects	0.8	0.7%
Aviation Facilities Maintenance Projects	0.6	0.5%
Maritime (Seaport) Roadways Projects	0.6	0.5%
Middle Harbor Shoreline Park (MHSP) Improvements	0.5	0.4%
Maritime: Various Air Quality Initiatives	0.5	0.4%
Seaport Logistics Complex Projects	0.2	0.2%
Total	\$111.3	100%

Largest Individual Projects (>\$5 million)	FY 2023 Capital Budget
Taxiway Tango Rehabilitation	\$13.6
Security Enhancements, T2 Baggage Claim Exit	10.1
CCTV Program Expansion – Airport	5.0
Wharf Upgrades for Ultra Large Container Vessels	5.0
Total	\$33.7

**30% of
FY 2023
Capital
Budget**

❑ Does not include expenditures incurred prior to or subsequent to FY 2023.

Strategic Application of Airport Specific Federal Grant Programs

(\$ millions)

COVID Relief Program*	FY 2021	FY 2022	FY 2023	FY2024	FY 2025	TOTAL **
CARES Act	\$9.1	\$5.0	\$11.0	\$19.6	--	\$44.7
CRRSA Act	\$13.1	--	--	--	--	\$13.1
ARP Act	--	\$39.9	\$4.1	\$2.6	--	\$46.5
Total**	\$22.2	\$44.9	\$15.1	\$22.2	\$--	\$104.2

* Based on preliminary allocation estimates. Represents OAK's share of Grants (excludes Grants allocated to Concessionaires and additional AIP related allocation to OAK).

** Totals may not add due to rounding.

Approximately \$15.2 Million of COVID-19 Related Airport Grants will be
Used to Pay FY 2023 Aviation Debt Service, OPEX and CAPEX

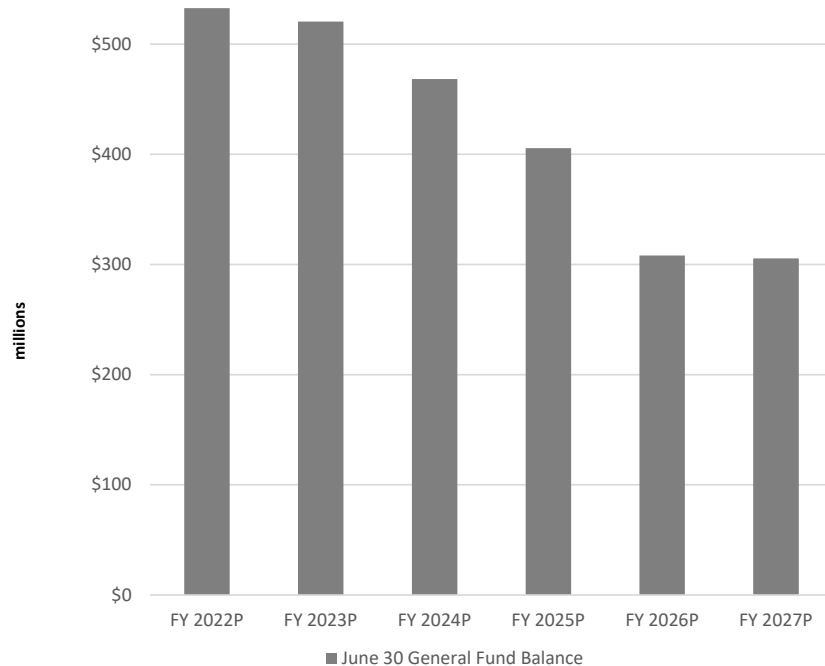
(\$ millions)

Federal Grant Program (COVID-19 Relief)	Aviation Debt Service	Aviation Operating Expenses	Aviation Capital Expenditures	Total Grant Funding
CARES Act	--	\$9.5	\$1.5	\$11.0
CRRSA Act	--	--	--	--
ARP Act*	\$2.6	\$1.6	--	\$4.2
Total**	\$2.6	\$11.1	\$1.5	\$15.2

* Based on preliminary allocation estimates. ** Totals may not add due to rounding.

Projected Cash Flows

Projected Unrestricted Cash Balance



Minimum Cash Balance Target: Achieve at least 365 “Days Cash on Hand”. In other words, General Fund and Board reserves at the end of each fiscal year equal to at least budgeted operating expense for the succeeding fiscal year.

(\$ millions)	2023	2024	2025	2026	2027
General Fund					
Debt Service Fund (Bonds + CP)	\$78.4	\$83.6	\$83.3	\$87.9	\$87.6
Self-Insurance Fund (New)	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5
Security Deposit Fund (New)	\$9.3	\$9.3	\$9.3	\$9.3	\$9.3
Working Capital Fund (New)	\$94.3	\$94.6	\$96.6	\$98.9	\$101.9
Capital Investment Fund (New)	\$248.6	\$190.8	\$125.7	\$20.5	\$14.1
Board Reserves	<u>\$80.4</u>	<u>\$80.5</u>	<u>\$81.2</u>	<u>\$82.1</u>	<u>\$83.2</u>
Ending Cash Balance (June 30)	\$520.5	\$468.3	\$405.6	\$308.2	\$305.6

Summary of Proposed FY 2023 Budget

(\$ millions)	FY 2023 Preliminary	FY 2022 Budget	% Change
Operating Revenues	\$410.9	\$374.7	+9.7%
PFCs, CFCs, AIP Grants, Other Grants, Debt Proceeds for CAPEX	\$28.8	\$35.9	-19.8%
Operating Expenses (excl. Depreciation)	\$276.9	\$255.7	+8.3%
Debt Service	\$83.4	\$92.7	-10.0%
Capital Expenses	\$111.3	\$102.9	+8.2%
Intermediate Lien Bond Debt Service Coverage Ratio	2.09x	1.81x	+0.28x
Projected Ending Cash Balance, June 30	\$520.5	\$439.6	+\$80.9

Proposed FY 2023 Budget Historical Comparison

(\$ millions)	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Budget	FY 2022 Forecast	FY 2023 Budget
Operating Revenues	\$375.9	\$354.1	\$372.7	\$398.3	\$410.9
Operating Expenses (excl. Depreciation)	\$221.4	\$201.9	\$255.7	\$240.1	\$276.9
Capital Expenses	\$50.7	\$52.1	\$102.9	\$78.7	\$111.3



Development of FY 2023 Operating and Capital Budget

Board of Port Commissioners
March 24, 2022

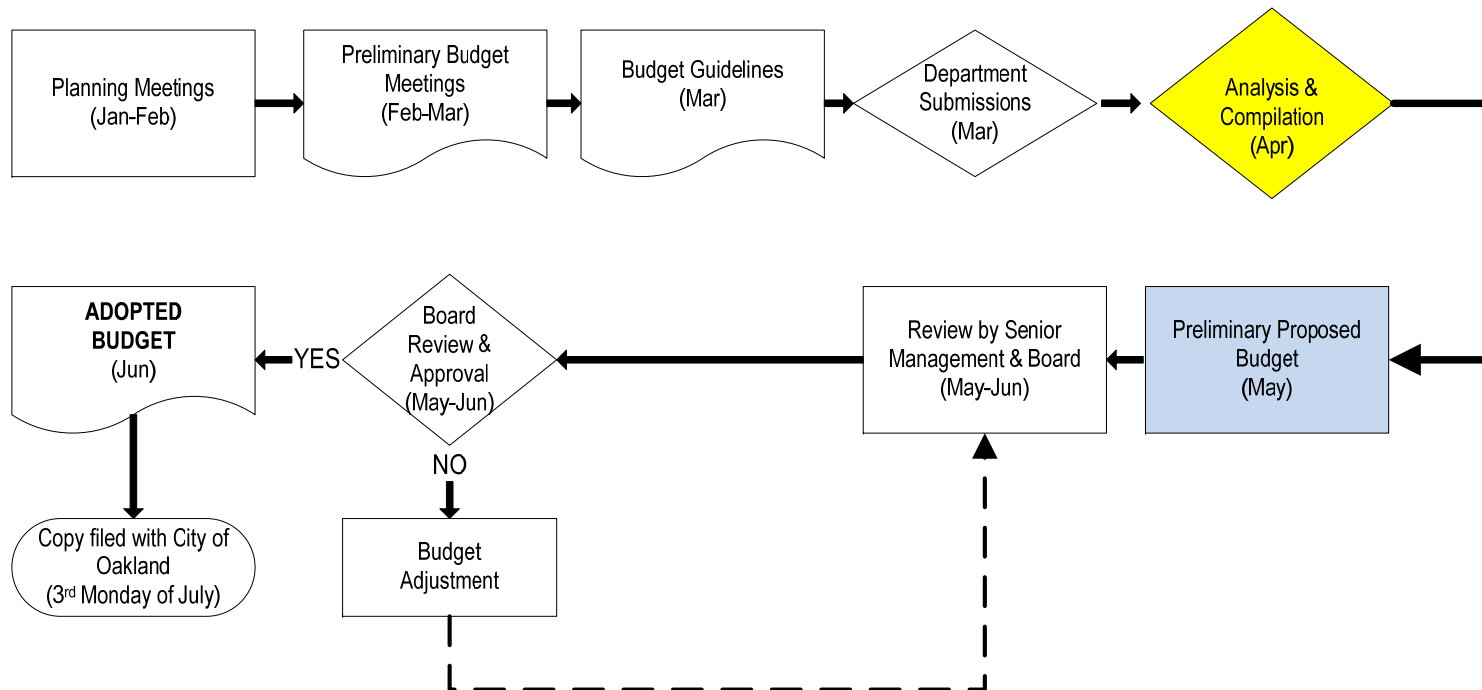
The information contained in this presentation is disclosed publicly for general information relating to the Port only. The information and figures herein include projections and forecasts that are based upon certain assumptions and involve known and unknown risks, uncertainties, and other factors that 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 thereof, and may differ from the information and figures contained in the Port's final adopted budget. The overall cost of the Port's capital projects is subject to change, and the variance from the cost estimates reflected herein could be material. The Port is not obligated to and does not plan to issue any updates or revisions to this presentation.

Purpose of Presentation

1. Provide overview of the Port budget process and budget
2. Update on current financial state of the Port
3. Discuss key factors influencing the development of FY 2023 Budget
4. Discuss policies, key budget objectives, and assumptions

1. Overview of the Port Budget Process and Budget

Budget Process Overview



Balancing Sources and Uses of Funds

	FY 2022 Budget
Uses of Funds	
Operating Expenses ¹	\$255,727
Debt Service ²	92,781
Capital Expenses	102,895
Other Expenses ³	1,685
Total Uses	\$465,305
Sources of Funds	
Cash from Operations	\$372,680
Grants/Rent Deferrals ⁴	53,651
Passenger Facility Charges (PFCs)	14,510
Interest Income	543
Cash Reserves	23,921
Total Sources	\$465,305

¹ Excludes depreciation.

² Includes \$10.4 million repayment of CP Notes and associated interest. Of this amount, approximately \$4.8 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 1.30% in FY 2022.

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

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

Key Board Dates

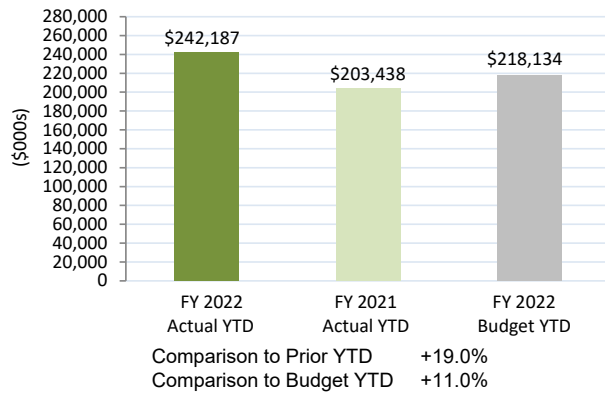
March 24	Board Update #1 – <i>Overview, Key Factors, Objectives and Assumptions</i>
May 12	Board Update #2 – <i>Key Assumptions and Preliminary Budget Numbers</i>
June 23	Request Board adoption of FY 2023 Operating and Capital Budgets
July 7	Submit Adopted FY 2023 Budget to City

2. Current Financial State of the Port

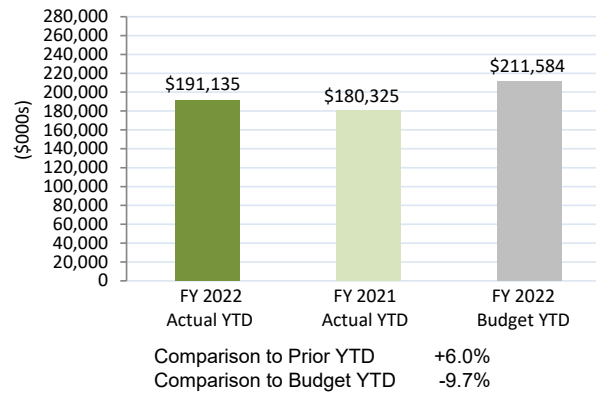
Unaudited, Preliminary Numbers – Subject to Change

For the first 7 months of FY 2022, Port-wide financial performance exceeds last year's performance and this year's budget/expectations.

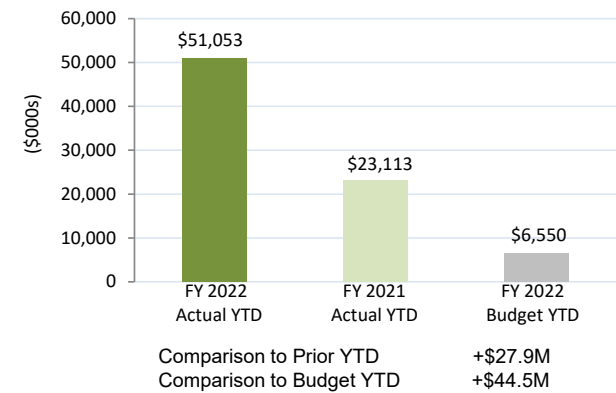
Operating Revenues



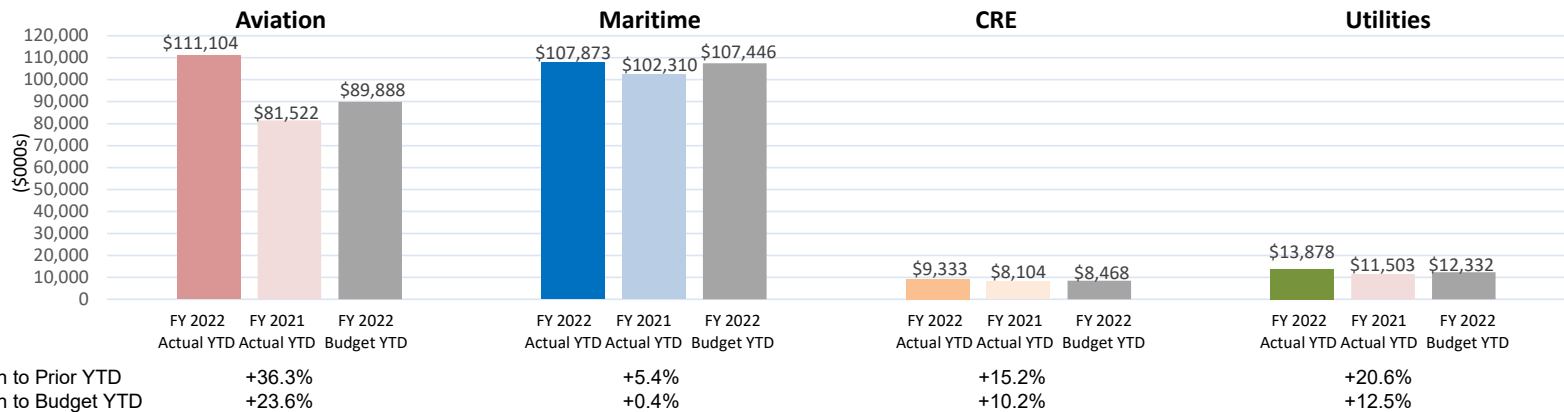
Operating Expenses



Operating Income



Operating Revenues by Business Line



Port Cash Balances

as of January 31, 2022

Account	Amount	Comment
General Fund	\$456,597,342	<ul style="list-style-type: none"> Debt Service Fund - \$51.6M - for semi-annual debt service payments Self-Insurance Fund - \$7.9M - for worker's compensation, health and other obligations Working Capital Fund - \$204.6M - for day-to-day operating expenses, pension, OPEB, environmental, and other operating obligations Capital Investment Fund - \$192.5M - for capital projects not funded through current operating revenues
Board Reserves	\$76,965,971	<ul style="list-style-type: none"> Available only if General Fund insufficient to pay debt service, operating expenses and/or capital expenses Use of Board Reserves is a Material Negative Event to bondholders
Trustee Bond Reserves	\$43,487,841	<ul style="list-style-type: none"> Restricted for the benefit of bondholders if insufficient General Fund Use of this reserve is an Event of Default
Passengers Facility Charges	\$16,895,643	<ul style="list-style-type: none"> Restricted in use to eligible capital costs at the Airport
Customer Facility Charges	\$384,666	<ul style="list-style-type: none"> Restricted in use to Airport rental car busing operations, and related capital costs
LCFS Fund	\$4,016,245	<ul style="list-style-type: none"> Restricted in use to transportation electrification projects
Security Deposit Fund	\$9,776,757	<ul style="list-style-type: none"> Tenant security deposits
Other	\$2,387,576	<ul style="list-style-type: none"> Escrow accounts related to Port's capital program

3. Key Factors Influencing the Development of FY 2023 Budget

Key Factors Under Consideration in Developing FY 2023 Budget

- ❑ The worst of COVID-19 is behind us, but the virus is not going away. The Port must remain vigilant, flexible and adapt as situations warrant in the future.
- ❑ Port operations and finances will remain under pressure until COVID becomes an endemic disease at which point the virus remains present among the population but is manageable from a public health perspective.
- ❑ Passenger traffic at OAK has plateaued and averaged 807,000 monthly passengers from August to December 2021. While some airports have recovered and have exceeded their pre-COVID passenger levels, OAK remains at 68.4% of FY 2019 levels in the first seven months of FY 2022 and is unlikely to return to pre-pandemic levels before the end of calendar year 2024.
- ❑ OAK's CPE (Costs Per Enplanement) must remain competitive relative to both SFO and SJC to retain and attract new airlines and new routes. Unspent federal COVID grants must be strategically deployed to provide OAK a competitive edge to increase passenger traffic at OAK.
- ❑ While immune from the immediate impacts of COVID, Port's maritime business has since experienced material reduction in TEU container traffic as on-going, unabated challenges in the global supply chain have led some shipping lines to skip calls at the Port of Oakland and as a result adversely impacted Maritime over-the-MAG revenues.

Key Factors Under Consideration in Developing FY 2023 Budget

- ❑ Scarcity of goods due to supply chain crisis coupled with strong consumer demand have contributed to rampant inflation in the Bay Area and nationwide. The Port is not immune to inflation and many aspects of its day-to-day operations are adversely impacted by higher costs.
- ❑ The Port must continue to invest in its future. This requires (a) continued investments in critical infrastructure maintenance and upgrades (sewers, electrical infrastructure, road maintenance and technology), (b) planning for the delivery and funding of major long-term capital projects (Airport Terminal Modernization, Turning Basin, etc), and (c) conversion to environmentally-resilient operation.
- ❑ With FTE vacancies at their highest levels in the recent past, the Port must fill critical vacancies to support day-to-day operations, eliminate administrative bottlenecks, and deliver on capital projects. The latter is particularly important as the recipient of over \$50.5 million¹ in recent state and federal grants, the Port must spend the funds prior to the end of the grant performance period or risk losing the funds altogether.
- ❑ Control increases in operating expenses to align with activity levels at the Port, and what can be realistically accomplished with staffing levels expected over the next 15 months.

¹ Includes \$5.2 million of Maritime Administration (MARAD) Port Infrastructure Development Program grant, \$14.258 million of State Lands Commission American Rescue Plan Pandemic Relief for California Ports grant, and at least \$30.992 million of Federal Aviation Administration (FAA) Airport Improvement Program grant over the next five federal fiscal years.

4. Budget Assumptions, Policy Considerations, & Establish Budget Objectives

Preliminary Key Budget Assumptions

1. Debt Service Expenses

- ☐ Bond debt service payments will be \$73 million in FY 2023
 - ☐ \$2.6 million to be paid with CARES Act or ARPA Funds
- ☐ Continue discipline of repaying outstanding commercial paper notes (CP notes)
 - \$52 million of CP notes outstanding as of March 2022*
(\$35 million Maritime, \$17 million Aviation PFC-eligible)
- ☐ Minimum budgeted debt service coverage ratio** of 1.40x:
 - Provides operating financial cushion
 - Maintains liquidity
 - Preserves credit ratings
 - Complies with Port debt policy

* A total of \$9.8 million has been programmed in FY 2022 to pay down both PFC-eligible and non-PFC-eligible CP. As of this writing, it is anticipated that this payment will be made before the end of the fiscal year.

** Debt service coverage ratio compares the amount of operating revenues remaining after payment of operating expenses (net revenues) to debt service payments.

Preliminary Key Budget Assumptions

2. Operating Expenses

- ☐ Take a fiscally prudent approach to balance revenues and expenditures to ensure the Port's long-term fiscal sustainability considering future revenue uncertainty, rising personnel costs, increased regulatory and compliance costs, and the need to address years of deferred maintenance
- ☐ Focus on budgeting for expenses that can realistically be achieved with available staffing levels, address the highest priority operational needs, and are in alignment with the Port's strategic goals
- ☐ Focus on budgeting for core expenses and defer, reduce or eliminate discretionary "nice-to-have" spending
- ☐ Fund studies and other planning related costs to determine viability of major long-term capital projects under Port consideration
- ☐ Fill critical staff vacancies to ensure safety and to advance critical operations Port-wide
- ☐ Strategically apply portions of CARES Act, CRRSAA and ARPA Funds to fund eligible airport operating expenses

Preliminary Key Budget Assumptions

3. Capital Expenses

- ❑ Capital investments must be strategic, appropriately prioritized and well-planned for the Port to be successful in achieving long-term financial sustainability
- ❑ Capital budget always takes into account resources and balances available cash against preserving liquidity and financial flexibility
- ❑ Capital budget must be based on what can be accomplished with available staffing levels, with a prioritization of staff resources for both expense and capital improvements
- ❑ Management will carefully evaluate actual rather than budgeted expenses, and review management practices, so that the Port's financial planning practices can continue to improve

Key Budget Objectives

- **Cash/Liquidity:** Remain focused on maintaining strong cash/liquidity reserves to manage operational, financial and economic disruptions from COVID-19 pandemic and supply chain crisis, and establish working capital, self-insurance, security deposit, capital investment and debt service funds to ensure the Port maintains adequate cash balances to meet long-term obligations.
- **Debt:** Maintain discipline of paying down portion of outstanding commercial paper notes, in addition to required bond payments
- **Operating:** Demonstrate smart, prudent and thoughtful budgeting considering near-term economic uncertainties to support long-term financial strength, resiliency and sustainability
- **Capital Investments:** Strategically identify, prioritize and appropriately plan major capital projects with a focus on health, safety, regulatory compliance, on-going or imminent revenue generating projects, and where availability of external funding (e.g., grants) is contingent on timely expenditure.
- **Financial Metrics:**
 - Improve operating margin for all three revenue divisions
 - Control Airport Cost per Enplanement (CPE)
 - Maintain minimum Bond Debt Service Coverage Ratio of 1.40x at year end
 - Achieve minimum projected cash balance on June 30* no less than 365 days-cash-on-hand (DCOH) (excluding restricted cash)
 - Maintain Board Reserves, consistent with policy, of approximately \$77** million

* June 30 cash balance is used to pay upcoming November 1 debt payment of \$20 million, construction contracts already executed, 5-Year Capital Improvement Plan, day-to-day operating expenses and unfunded liabilities; balance also includes contractor retention not held in escrow and security deposits.

** This figure reflects the current total of FY 2022 Board Reserves. It is expected to change as the FY 2023 Budget is developed.

Long-Term Financial Planning

- ❑ The Port continues work on a long-term financial plan to be issued separate from the budget
- ❑ Long-term financial plan will consider funding and financial policies that establishes goals for each of our business lines recognizing their unique funding sources
- ❑ Key Considerations:
 - ❑ Debt service ratio targets by business line to maintain consolidated 1.40 minimum
 - ❑ Balance of funding capital projects with a mix of cash and debt
 - ❑ Port's ability to maintain or improve credit ratings
 - ❑ Establishing policies to ensure the Port's financial resiliency
 - ❑ Preliminary funding plans for large projects that are outside of the budget 5-year horizon
- ❑ Will be a separate document issued after the adopted budget