PORT OF OAKLAND

Port Bond Refunding Opportunities

Board of Port Commissioners Meeting
January 26, 2017

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Summary of Outstanding Port Bonds

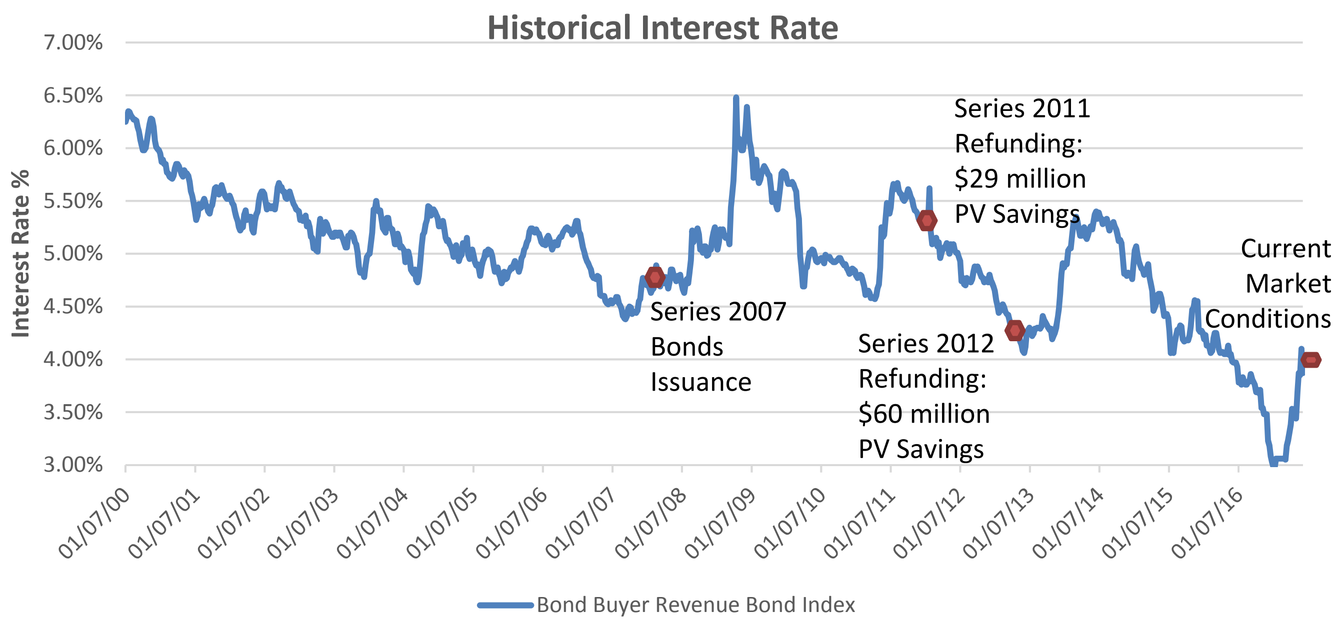
Series	Lien Level	Tax Status[1]	Par Amount Outstanding[2]	Remaining Maturity Dates	Call Option
2007 A	Intermediate	Tax-Exempt AMT	$153,065,000	November 2017-2029	Nov. 1, 2017 @ 100%
2007 B	Intermediate	Tax-Exempt Non-AMT	119,860,000	November 2017-2029	Nov. 1, 2017 @ 100%
2007 C	Intermediate	Tax-Exempt Non-AMT	50,680,000	November 2017-2019	Nov. 1, 2017 @ 100%
Sub-Total			**$323,605,000**		
2011 O	Senior	Tax-Exempt AMT	298,325,000	May 2017-2031	May 1, 2021 @ 100%
2012 P	Senior	Tax-Exempt AMT	368,995,000	May 2021-2033	May 1, 2022 @ 100%
Sub-Total			**$667,320,000**		
Total			**$990,925,000**		

1. AMT – subject to Alternative Minimum Tax
2. Outstanding as of January 1, 2017

The Port has the potential to achieve significant debt service savings by refunding the Series 2007 A/B/C bonds.

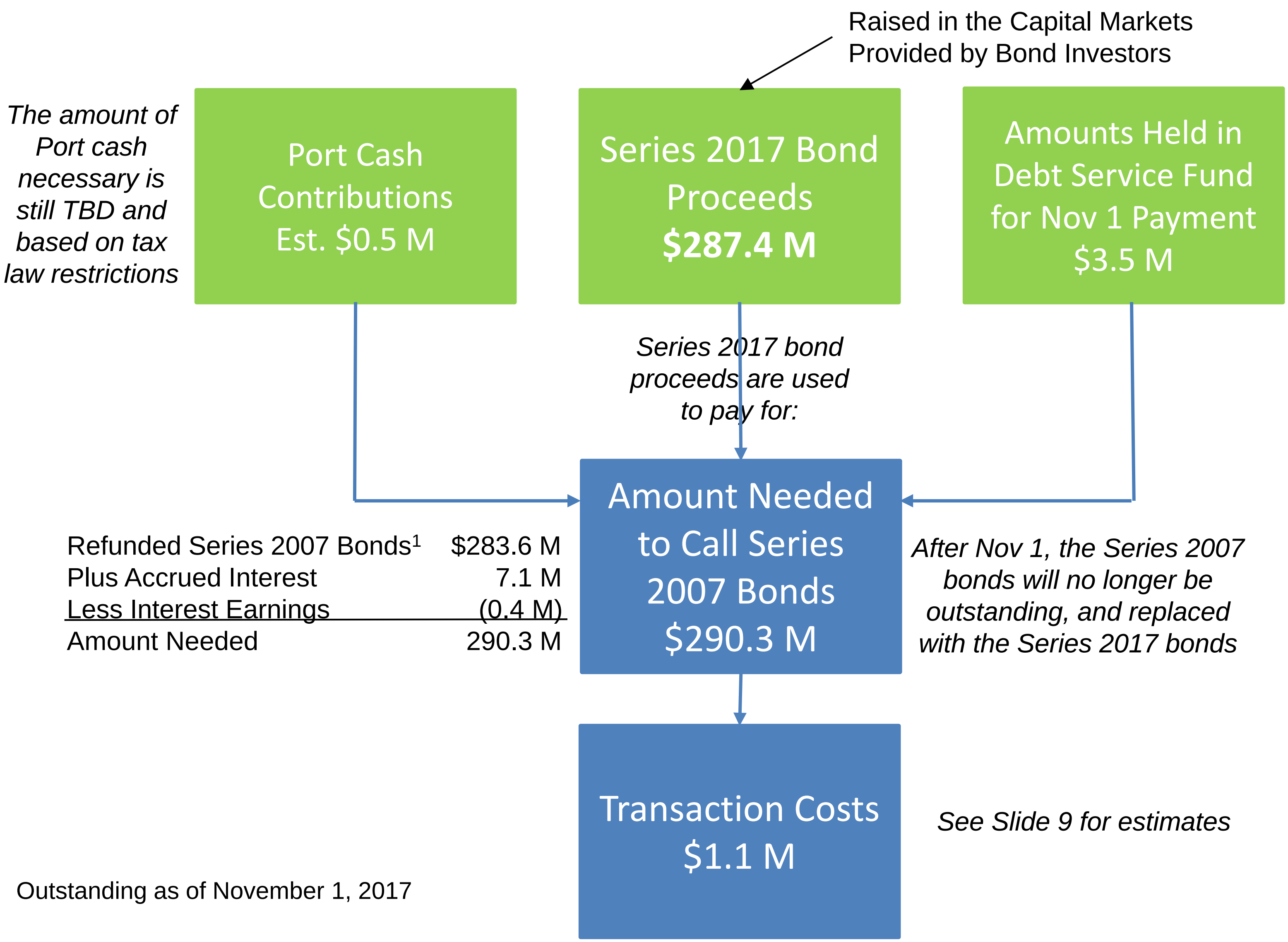
<u>Why?</u>

1. Interest rates are low, and interest rates are lower than 2007.



2. While the Series 2007 bonds have a final maturity of 2029, there is a call option beginning November 1, 2017. That is, the Port has the right to “call” / buy-back the outstanding bonds at a price of 100%, plus accrued interest.

The Port will call /buy-back the Series 2007 bonds by using proceeds of Series 2017 refunding bonds.



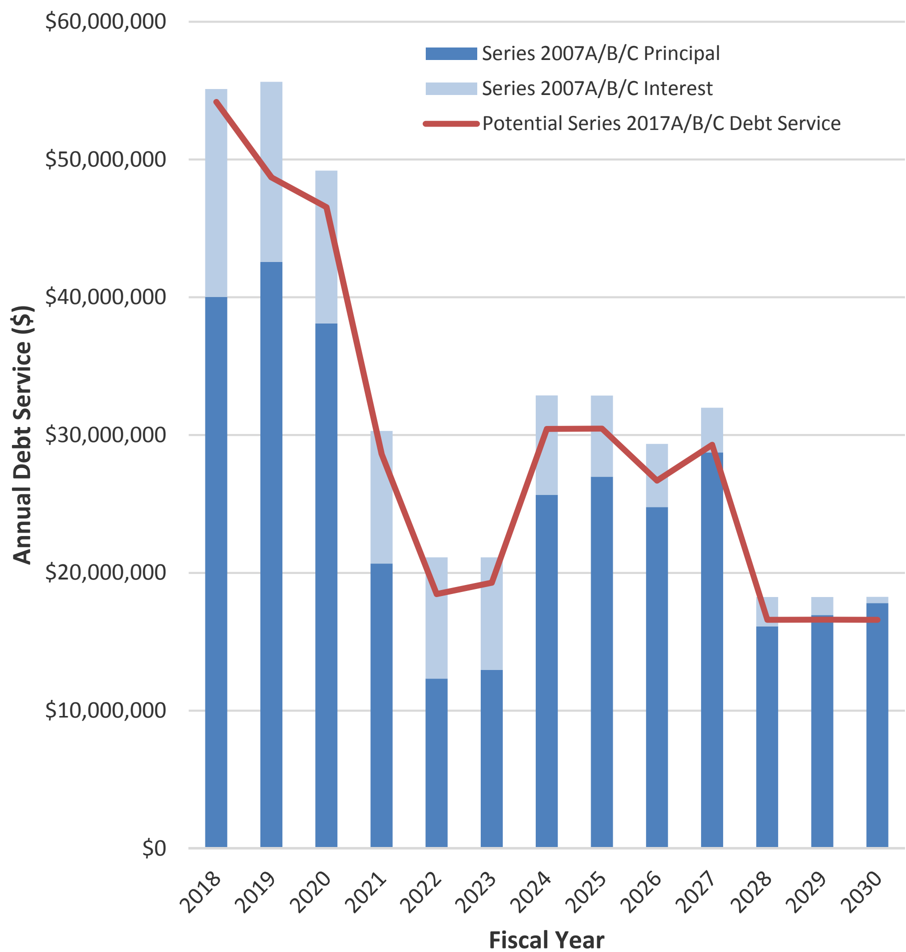
Refunded Series 2007 Bonds[1]	$283.6 M
Plus Accrued Interest	7.1 M
Less Interest Earnings	(0.4 M)
Amount Needed	290.3 M

1. Outstanding as of November 1, 2017

** Numbers are preliminary and subject to change based on market conditions, further tax analysis, and other business considerations.*

Meaningful debt service savings is the goal, as long as interest rates remain favorable through Summer 2017.

Comparison of Debt Service – Option 1



Annual Debt Service Savings

FY	Option 1: Sculpted Savings/ Aggregate Level	Option 2: Uniform Savings
2018	930,985	922,238
2019	6,930,300	3,423,175
2020	2,647,731	3,419,731
2021	1,668,988	2,487,988
2022	2,659,988	2,488,488
2023	1,834,681	2,491,306
2024	2,421,625	2,489,875
2025	2,398,875	2,492,500
2026	2,670,000	2,490,375
2027	2,683,500	2,493,250
2028	1,652,125	2,495,750
2029	1,647,375	2,487,875
2030	1,654,563	2,495,063
Total	**$31,800,735**	**$32,677,613**

- ❑ Present Value (PV) Savings at current market rates is **$27 million or 9.4%** of refunded par amount
- ❑ At current market rates plus 50 bps (0.50%), PV Savings is **$19 million or 6.7%**.
- ❑ Current Market All-in Borrowing Cost = 3.04%

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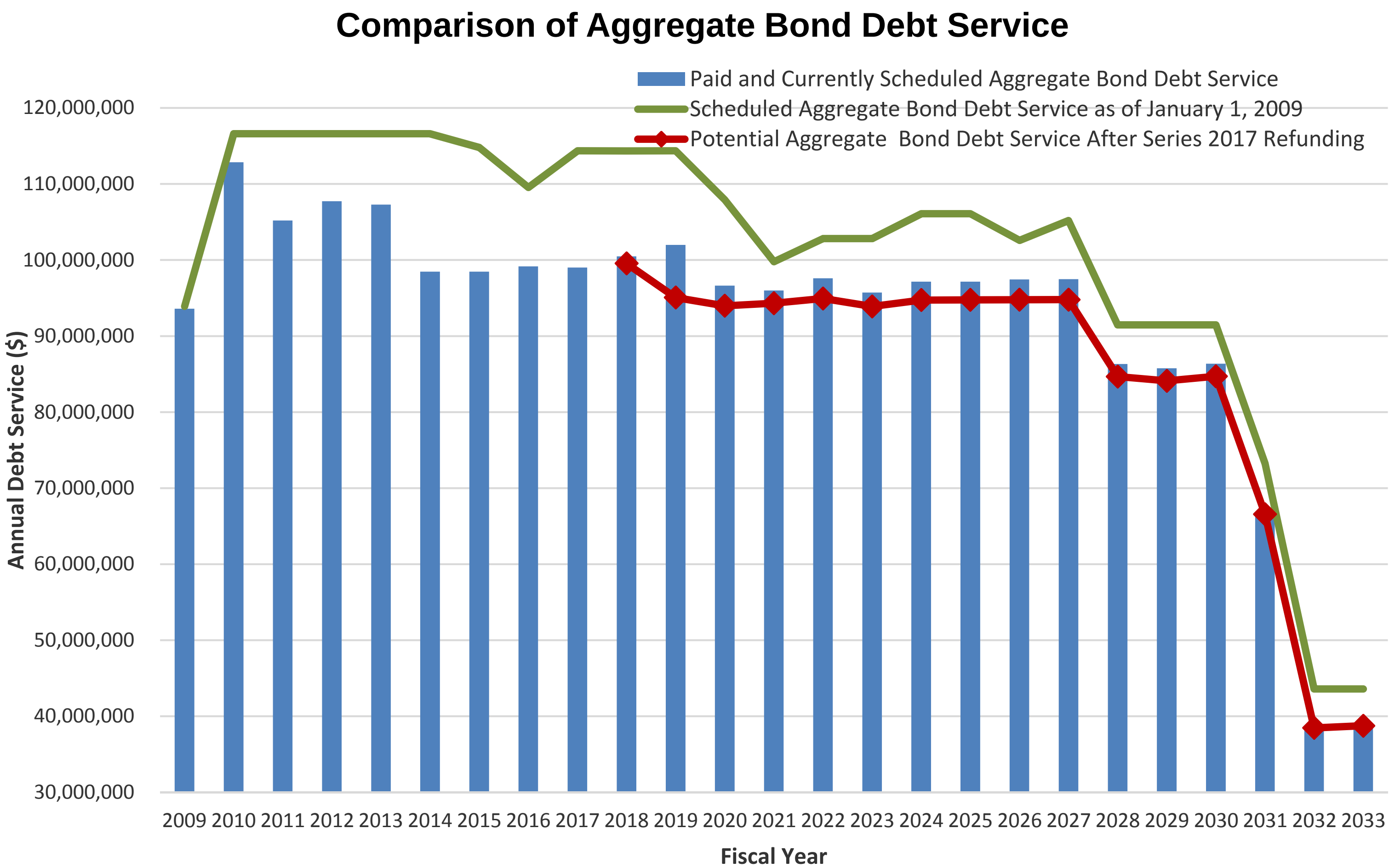
The Port has significantly reduced its debt service burden by exercising its call options in a timely and responsible manner.



- Since 2009, the Port has reduced its debt service payments by more than $210 million as a result of various refundings and defeasance transactions.

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A financing team has been selected to execute a refunding efficiently and prudently, and to achieve the lowest cost of capital.

Underwriting Team	Role	Location
Bank of America Merrill Lynch	Book-Running Senior Manager	SF, NY, Seattle
Siebert Cisneros Shank	Co-Senior Manager	Oakland, NY, Seattle
J.P. Morgan	Co-Manager	SF, NY, Denver
Blaylock Beal Van	Co-Manager	Oakland, NY
Backstrom McCarley Berry	Co-Manager	Oakland, SF

Other	Role	Location
Orrick, Herrington & Sutcliffe *(pending Board approval)*	Bond Counsel	SF, Portland
Montague DeRose and Associates	Financial Advisor	Walnut Creek

- The Port's Finance Division will lead this effort. Maritime, Aviation and the Port Attorney's Office will have significant roles, and every Port Division will be required to participate meaningfully.

Debt service savings is always stated net of transaction costs and it is customary to pay for these costs through bond proceeds.

Transaction Costs	Estimated Amount
Underwriting Fees (0.25% of par amount – shared among underwriting team)[1]	$655,000
Reimbursement for Underwriter Out-of-Pocket[2]	105,000
Bond Counsel Fee (fixed)	220,000
Financial Advisor Fee (fixed)	95,000
Trustee, Verification Agent and Printing Fees	15,000
Miscellaneous[3]	10,000
Total	**$1,100,000**

1. Pursuant to RFP, underwriting fee is $2.50 per bond (or 0.25% of the bond par amount) except 2018 maturity which is $1.25 per bond (or 0.125%).
2. Standard and customary. Includes underwriters' counsel and regulatory and other fees paid on behalf of the Port such as Dalcomp, Dalnet, CDIAC (California Debt Investment Advisory Commission), CUSIP (Committee on Uniform Securities Identification Procedures), DTC (Depository Trust Company), Munibond Roadshow, and Day Loan. Underwriter's counsel is estimated at $50,000.
3. Includes Port travel costs for investor meetings and bond pricing.

Financing Schedule

Date	Action
Jan – May	Prepare for Bond Refunding (incl. financing documents, financing structure, legal and tax analysis, rating agency presentations)
June 8	Board Approval of Bond Transaction Requested (incl. Bond Purchase Agreement – contract with underwriters, related disclosure document, and other legal documents)
June 9	Release Preliminary Official Statement
Week of June 12	Pre-Marketing Efforts
Week of June 20 *earliest possible date*[1]	Pricing and Sale of Bonds / Lock-in Interest Rates
August 3 *earliest possible date*[2]	Bond Closing
November 1	Call Series 2017 Bonds

- The financing schedule and structure is subject to change, based on financial market conditions, further tax analysis and other business considerations.

1. Earliest possible date to price tax-exempt bonds and close on August 3, based on current market conditions, avoiding pricing penalty and/or non-traditional delivery method.
2. Earliest possible date to refund Series 2007 with tax-exempt bonds, based on tax law regulations.