PORT OF OAKLAND

Development of FY 2018 Operating and Capital Budget

including Unaudited Financials for
Nine Months Ending March 31, 2017

Board of Port Commissioners
May 18, 2017

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

Today's Presentation:

1. Unaudited financials for nine months ending March 31, 2017
2. Recap key budget objectives
3. Present preliminary FY 2018 budget numbers
4. Present preliminary updated 5-Year Forecast and Capital Improvement Plan

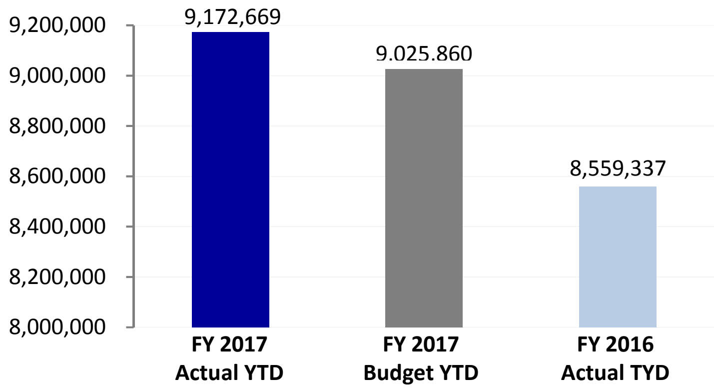
Prior Presentation – March 23, 2017:

- ❑ Provided overview of Port budget and budget process
- ❑ Discussed key factors influencing development of FY 2018 Budget
- ❑ Received Board feedback on key budget objectives and assumptions

Port staff plans to request Board approval of FY 2018 Budget at June 22 meeting.

For the first 9 months of FY 2017, Port operating performance has exceeded both budget and last year's performance.

Airport Passengers

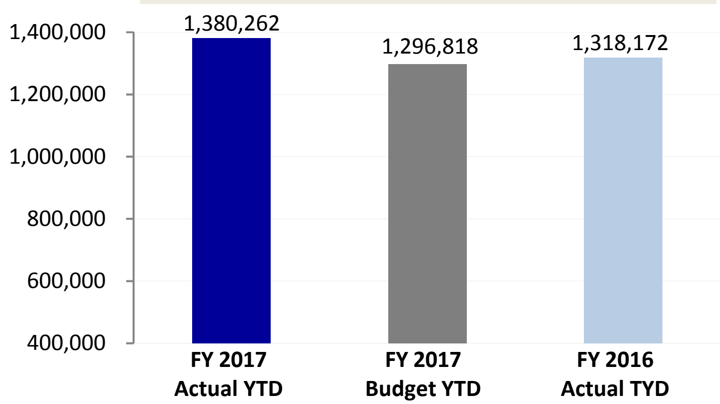


Comparison to Budget YTD 1.6%
Comparison to Prior YTD 7.2%

Operating Revenues
($millions)

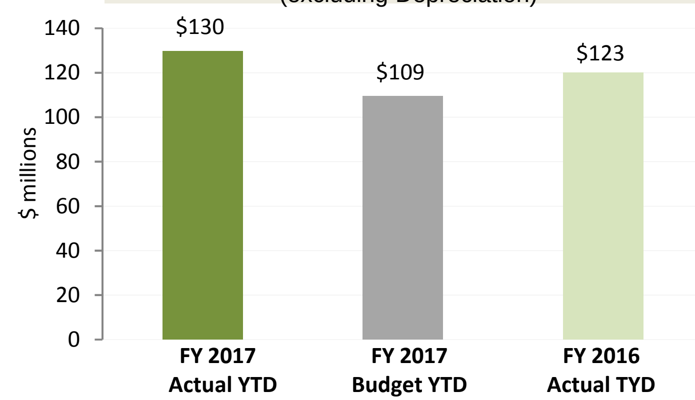
	Unaudited 9 Months Ended Mar 2017	Comparison to 9 Months Ended Mar 2017 Budget Better/(Worse)		Comparison to 9 Months Ended Mar 16 Actual Better/(Worse)	
Aviation	$140.2	$3.0	2.2%	$12.0	9.4%
Maritime	$116.3	$6.5	5.9%	($2.0)	(1.7%)
CRE	$12.6	$0.7	5.6%	$0.4	3.2%
Total	**$269.1**	**$10.1**	**3.9%**	**$10.4**	**4.0%**

Maritime Full TEUs



Comparison to Budget YTD 6.4%
Comparison to Prior YTD 4.7%

Operating Income
(excluding Depreciation)



Comparison to Budget YTD 18.5%
Comparison to Prior YTD 5.2%

Key Budget Objectives

- Demonstrate smart, prudent and thoughtful budgeting to support long-term financial strength, resiliency and sustainability
  - Support and maintain day-to-day operations
  - Continue progress on major capital projects underway
  - Pay down portion of outstanding commercial paper notes
- Provide flexibility and liquidity to protect against inherent operational, financial, political, and economic uncertainties
- Achieve the following financial metrics:
  - Improve operating income
  - Minimum Debt Service Coverage Ratio of 1.40x
  - Minimum June 30, 2018 cash balance* of around $150 million (excluding Board Reserves, PFC&CFC balance, Bond reserves and contractor retention held in escrow)
  - Board Reserves, consistent with policy, of approximately $72 million

* June 30 cash balance is used to pay upcoming November 1 debt payment of $64 million, construction contracts already executed, 5-Year Capital Improvement Program, day-to-day operating expenses and unfunded liabilities; balance also includes contractor retention and security deposits.

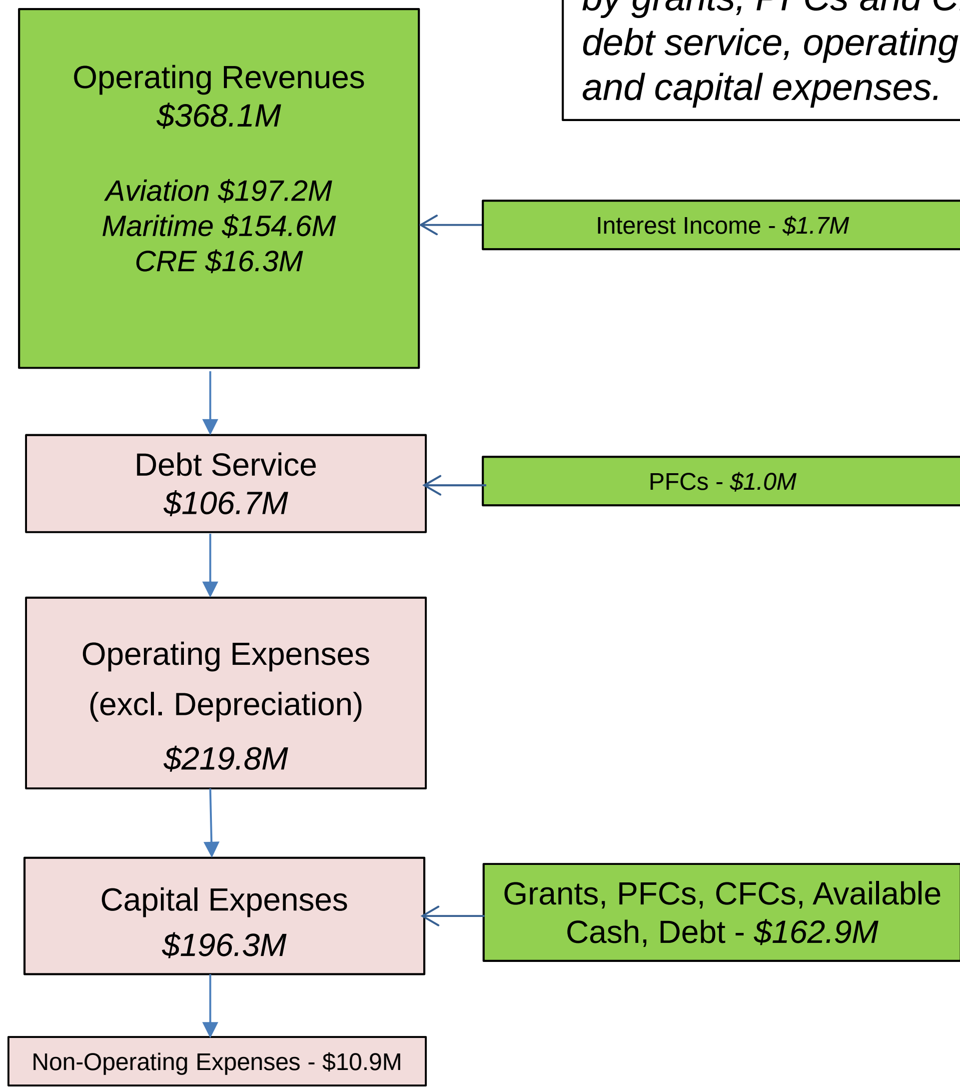
Preliminary Numbers – Subject to Change

FY 2018 Preliminary Budget

Operating revenues supplemented by grants, PFCs and CFCs pay for debt service, operating expenses and capital expenses.

Sources of Funds

Uses of Funds



CFC = Customer Facility Charges collected by rental car companies

PFC = Passenger Facility Charges collected by the airlines

The FY 2018 debt service coverage ratio at 1.42x is preliminarily budgeted at the highest level in last 10 years.

($000s)

	FY 2016 Actuals	FY 2017 Budget	FY 2017 Forecast	FY 2018 Preliminary	% Change FY 2018P vs FY 2017F
Aviation Revenues	$173,067	$184,571	$189,336	**$197,224**	**4.0%**
Maritime Revenues	148,772	142,918	152,106	**154,584**	**1.6**
CRE Revenues	16,198	15,681	16,181	**16,271**	**0.5**
Operating Revenues	338,038	343,169	357,623	**368,079**	**2.9**
Operating Expenses before Depreciation	181,157	200,659	200,659	**219,761**	**9.5**
Operating Income before Depreciation	156,881	142,510	156,964	**148,318**	**(5.5)**
Debt Service*	103,308	103,908	103,908	**105,660**	**1.7**
Debt Service Coverage Ratio*	1.54x	1.39x	1.53x	**1.42x**	na

- ❑ Debt service coverage reflects the “cushion” (or ability) of operating revenues to pay operating expenses and debt service. The “cushion” is then available for capital expenses.

* Includes repayment of $4 million of outstanding Commercial Paper Notes and excludes debt service paid by Passenger Facility Charges (PFCs).

Activity at the Airport and Seaport are preliminarily budgeted to increase 3.8% and 2.0%, respectively in FY 2018.

	FY 2017 Forecast	FY 2018 Preliminary	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Airport Passengers	12,500,000	13,000,000	13,500,000	13,800,000	14,200,000	14,500,000
Airport Passenger Growth Rate*	8.0%	3.8%	3.5%	2.6%	2.5%	2.5%
Maritime Full TEUs	1,824,000	1,860,000	1,897,000	1,935,000	1,974,000	2,013,000
Maritime Full TEU Growth Rate*	2.2%	2.0%	2.0%	2.0%	2.0%	2.0%

* Numbers may not tie due to rounding.

Operating expenses are preliminarily budgeted to increase $19.1 million in FY 2018.

Operating Expenses	FY 2018 Preliminary $millions	$ Change from FY 2018B	% Change from FY 2017B	% of Total Operating Expenses
Personnel Costs	$112.0	$5.2	4.9%	51%
Police, Fire and Other Security	33.0	2.6	8.6%	15%
Repairs and Maintenance	26.7	6.7	34.3%	12%
Administrative & Support	21.0	3.4	18.5%	10%
Parking, Ground Transportation and Truck Parking	15.9	1.4	9.4%	7%
Insurance, Utilities, Environmental	13.0	0.6	4.9%	6%
Utility Cost of Sales	7.1	(0.6)	(7.4%)	3%
Labor and Overhead Allocated to Capital Expenses	(8.9)	(0.2)	2.6%	(4%)
Total Operating Expenses (excl. Depreciation)	$219.8	$19.1	9.5%	100%

- Staffing levels are held steady at 502 FTEs.

Eleven line items drive the overall increase in operating expense.

83% of the increase

	Operating Expense	$ Change from FY 2017B ($millions)	% Change from FY 2017B
1	Personnel Costs	$5.2	4.9%
2	Maritime Major Maintenance & Repairs	4.8	81.9%
3	Aviation Security*	2.4	12.9%
4	Maritime Infrastructure Assessment Studies	1.4	192%
5	Aviation Customs Border Patrol (CBP)	1.0	200.0%
6	Maritime Maintenance Dredging	1.0	52.3%
7	Maritime Truck Parking**	0.9	36.9%
8	ERP Major Technical Version Upgrade	0.8	na
9	Aviation Parking and Ground Transportation	0.5	4.8%
10	Aviation Repairs & Maintenance*	0.4	7.2%
11	Labor Negotiations	0.2	na
	Net Increase of Other Expenses	0.5	1.0%
	Total	$19.1	9.5%

* Most of the increases are included in FY 2018 Airline rates and charges
** Costs are a direct function of related revenues.

Non-operating expenses and other payments are also part of the Port's Budget.

Non-Operating Expenses and Other Payments	FY 2018 Preliminary ($millions)
City General Services	$1.3
Lake Merritt Maintenance	1.1
Retroactive Pension Payments for Prior Port Safety Workers	0.8
Debt Fees – Rating Agency, Letter of Credit	1.5
Deposit to Board Established Operating Reserve	0.8
Major Maintenance (accrued in prior years)	5.3
Total Non-Operating Expenses and Other Payments	$10.9

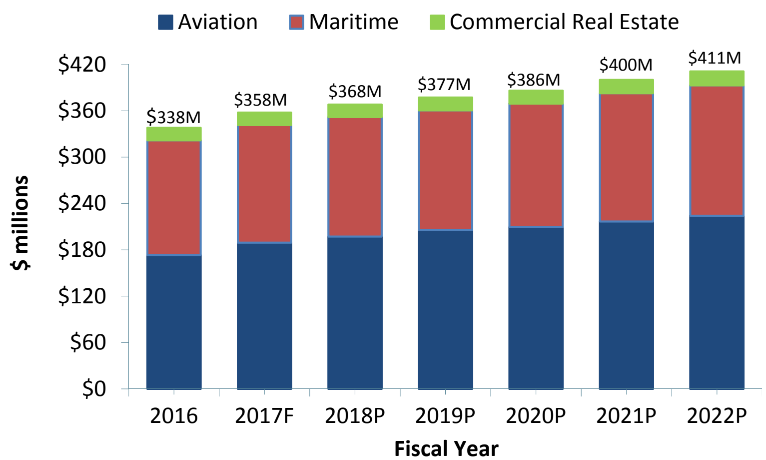
City services are budgeted in operating expenses and non-operating expenses.

City Payments	FY 2018 Preliminary ($ millions)
Aircraft Rescue and Fire Fighting Services	$6.50
General Services	1.29
Lake Merritt Maintenance	1.14
Maritime, JLS and Contingent Police Service	0.93
Landscape Lighting Assessment District	0.70
Treasury Services	0.31
Personnel, City Clerk, KTOP Services	0.27
Jack London Improvement District	0.12
Edgewater Median Maintenance*	0.06
Fireboat/OPD Patrol Boat Maintenance	0.04
Total	11.36
Parking and Utility Taxes	8.72
Total including Parking and Utility Taxes	$20.08

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

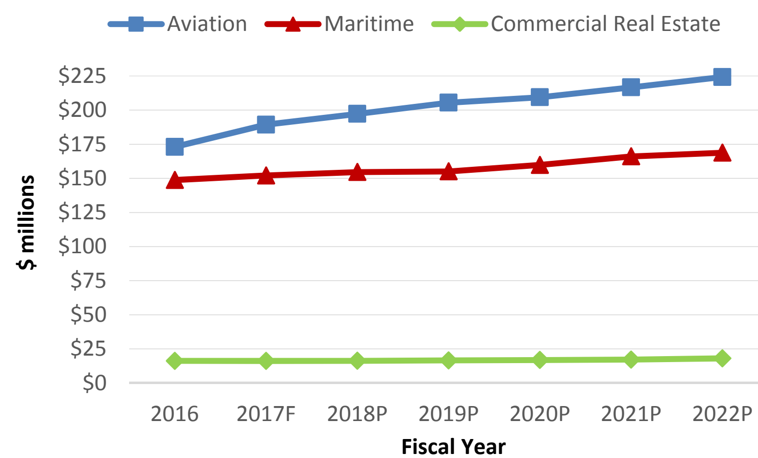
The Port's operating forecast impacts the development of the FY 2018 Operating and Capital Budget.

Operating Revenues*

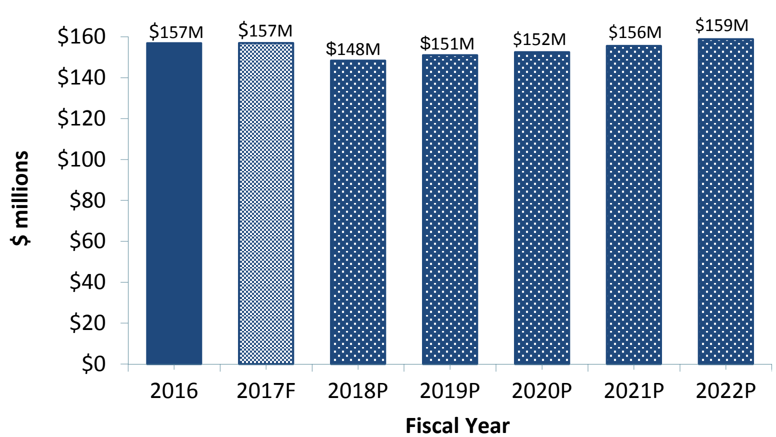


Compound Annual Growth Rate FY 2016 – 2022 = 3.3%

Operating Revenues by Division*

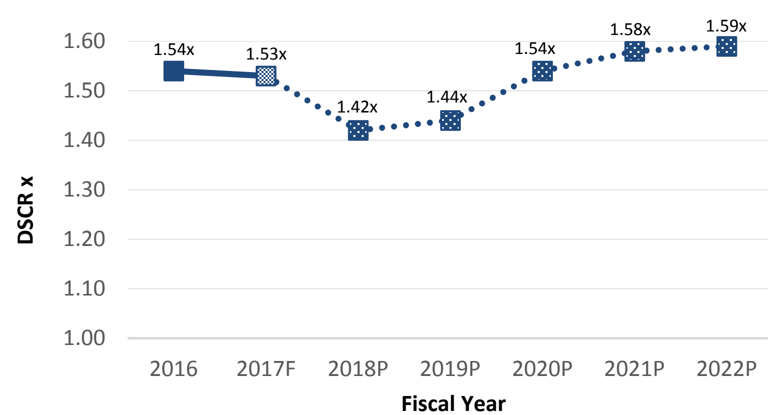


Operating Income*
(excluding Depreciation)



Compound Annual Growth Rate FY 2016 – 2022 = 0.2%

Debt Service Coverage Ratio*



DSCR includes repayment of $4M of outstanding commercial paper notes

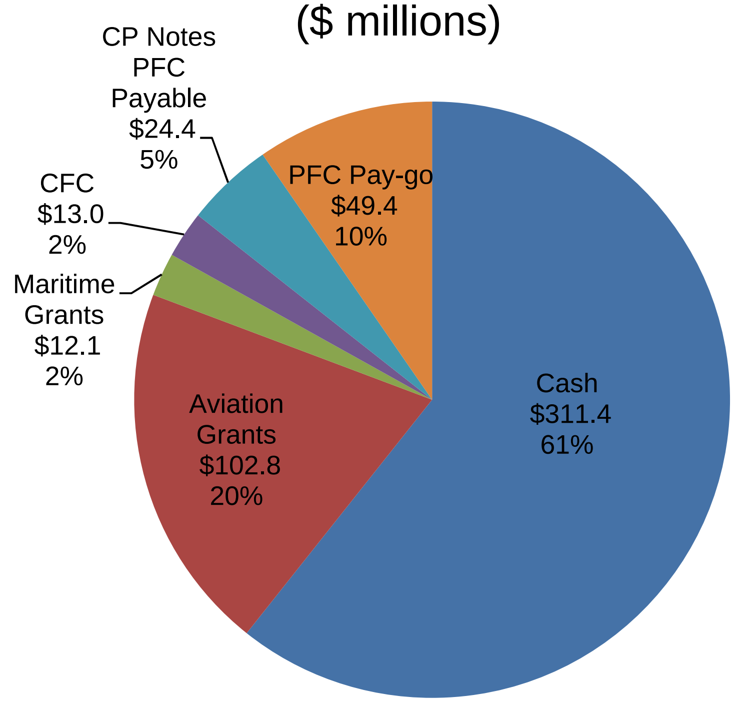
* Projections are as of May 2017; they are preliminary and subject to change

The Port's 5-year Capital Improvement Plan is updated annually.

Capital Expenses
FY 2018-22
($ millions)

Aviation	$379.1	74%
Maritime	126.1	25%
CRE	6.5	1%
Support	1.3	0%
Total	$513.0	100%

Funding Sources
FY 2018-22
($ millions)



Preliminary Numbers – Subject to Change

Capital investments must be strategic, appropriately prioritized and well-planned.

Major Projects in 5-year CIP	FY 2018-2022** ($millions)	Major Projects in 5-Year CIP	FY 2018-2022** ($millions)
Runway 12/30 Rehabilitation	$61.9	Crane Raising and Management System*	15.1
Various Port-wide Utility Improvements*	58.8	Various Marine Terminal Improvements*	13.6
Airfield Perimeter Dike Improvements	46.4	Runway 10/28 Overlay	13.0
Various Terminal 2 Projects*	42.3	Rail Infrastructure at Maritime Support Center	12.5
International Arrivals Building	26.7	Rental Car Site Improvements	10.8
Projects to Support Seaport Logistics Center*	25.1	TSA Explosive Detection Sys Recapitalization	10.1
Various Taxiway Improvement Projects*	23.8	Northfield Vulnerability Upgrades	6.6
Various Port-wide Security Initiatives*	23.6	Parking Access Revenue Control System	5.7
Various Terminal 1 Projects*	22.6	Ground Support Equipment Electrification	4.8
Various Apron Projects*	17.5	Other (Multiple Projects less than $5 M)	55.1
Terminal 1 M102 Renovation	17.0	Total	$513.0

- 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
- Additional Board authorization is required to proceed (beyond the pre-development phase) on projects not already underway

* Multiple Projects

** Does not include expenditures incurred prior to FY 2018.

Preliminary Numbers – Subject to Change

The FY 2018 Capital Budget is expected to include the following projects, most of which are already underway.

($millions)

Business Line	FY 2018 Preliminary Capital Budget	FY 2018* Initial	FY 2018* Pipeline	FY 2018* Total
A	Runway 12/30 Rehabilitation	$16.4	$45.5	$61.9
A	International Arrivals Building Improvements	21.2	0.5	21.7
A	Terminal 1 M102 Renovation	17.0	-	17.0
M	Rail Infrastructure at Maritime Support Center	12.0	-	12.0
A	TSA Explosive Detection System Recapitalization	5.2	3.7	8.9
M	Crane Raising and Management System	7.6	-	7.6
A	Airfield Perimeter Dike Improvements	0.5	5.3	5.8
A	Parking Access Revenue Control System	3.2	0.4	3.6
M	OHIT Railyard Phase 2 at Seaport Logistics Center	3.5	-	3.5
A	Ground Support Equipment Electrification	0.3	3.0	3.3
A	Terminal 2 M-130 Roof Replacement	-	3.3	3.3
A,M,S	Various Port-wide Capital Equipment	0.9	2.1	3.0
M	Utility Relocations (related to Measure BB Projects)	-	2.5	2.5
A	Lift Station #2	0.3	1.9	2.2
A	Terminal 1 M101 Planning / Window Wall	-	2.0	2.0
A	Terminal 2 Baggage Claim Security Enhancements	0.1	1.7	1.8
A	ARFF Roof	0.1	1.7	1.8

4 projects comprise 57% of FY 2018 budget

List continues on next page

** Does not include expenditures incurred prior to, or subsequent to FY 2018.

($millions)

Business Line	FY 2018 Preliminary Capital Budget (continued)	FY 2018* Initial	FY 2018* Pipeline	FY 2018* Total
A	ARFF Truck	1.6	-	1.6
A	Terminal 1 Gate 3 Passenger Boarding Bridge Replace	-	1.6	1.6
M	Berth 25/26 Wharf & Related Improvements	1.5	-	1.5
M	800 Building Series Pavement Construction	1.5	-	1.5
A	Airport Shuttle Fleet Replacement	-	1.3	1.3
A	Runway Safety Area (RSA) Construction	1.3	-	1.3
C	Reconstruction of Portion of Embarcadero Road	1.2	-	1.2
A	New Water Meter at Ron Cowan Pkwy & Taxiway B	-	1.2	1.2
A	Rental Car Site Improvements	1.0	-	1.0
A	CCTV Program Expansion at Rental Car Center	-	1.0	1.0
M	Utilities related to Seaport Logistics Center	-	1.0	1.0
M	-50 Ft Cost Share to US Army Corps of Engineers	-	1.0	1.0
M	7th St Grade Separation Planning (Measure BB)	1.0	-	1.0
M	Middle Harbor Shoreline Park Dike Reconstruction	-	1.0	1.0
All	Other Projects (Multiple Projects less than $1 million)	8.4	8.9	17.3
	Total	**$ 105.8**	**$90.5**	**$196.3**

List is continuation from prior page

- FY 2018 Initial – $105.8 million of project costs are already underway or contractually obligated
- FY 2018 Pipeline – $90.5 million of additional expenditures are anticipated to commence in FY 2018; additional Board authorization is required to proceed

** Does not include expenditures incurred prior to, or subsequent to FY 2018.

PORT OF OAKLAND

Development of FY 2018 Operating and Capital Budget

including Unaudited Financials for
Seven Months Ending January 31, 2017

Board of Port Commissioners
March 23, 2017

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 Port budget and budget process
2. Discuss key factors influencing development of FY 2018 Budget
3. Receive Board feedback on key budget objectives and assumptions

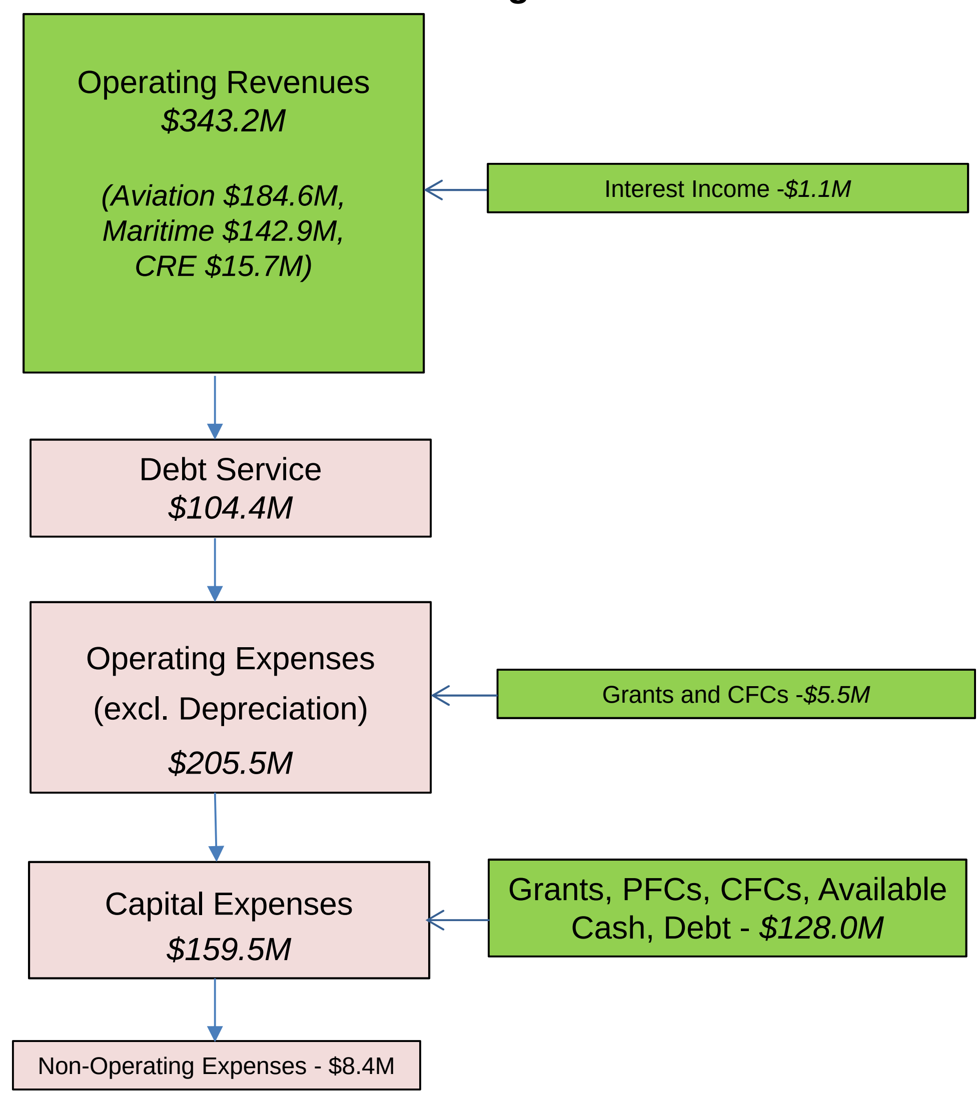
1. Overview of Port Budget and Budget Process

Operating revenues supplemented by grants, PFCs and CFCs pay for debt service, operating expenses and capital expenses.

FY 2017 Budget

Sources of Funds

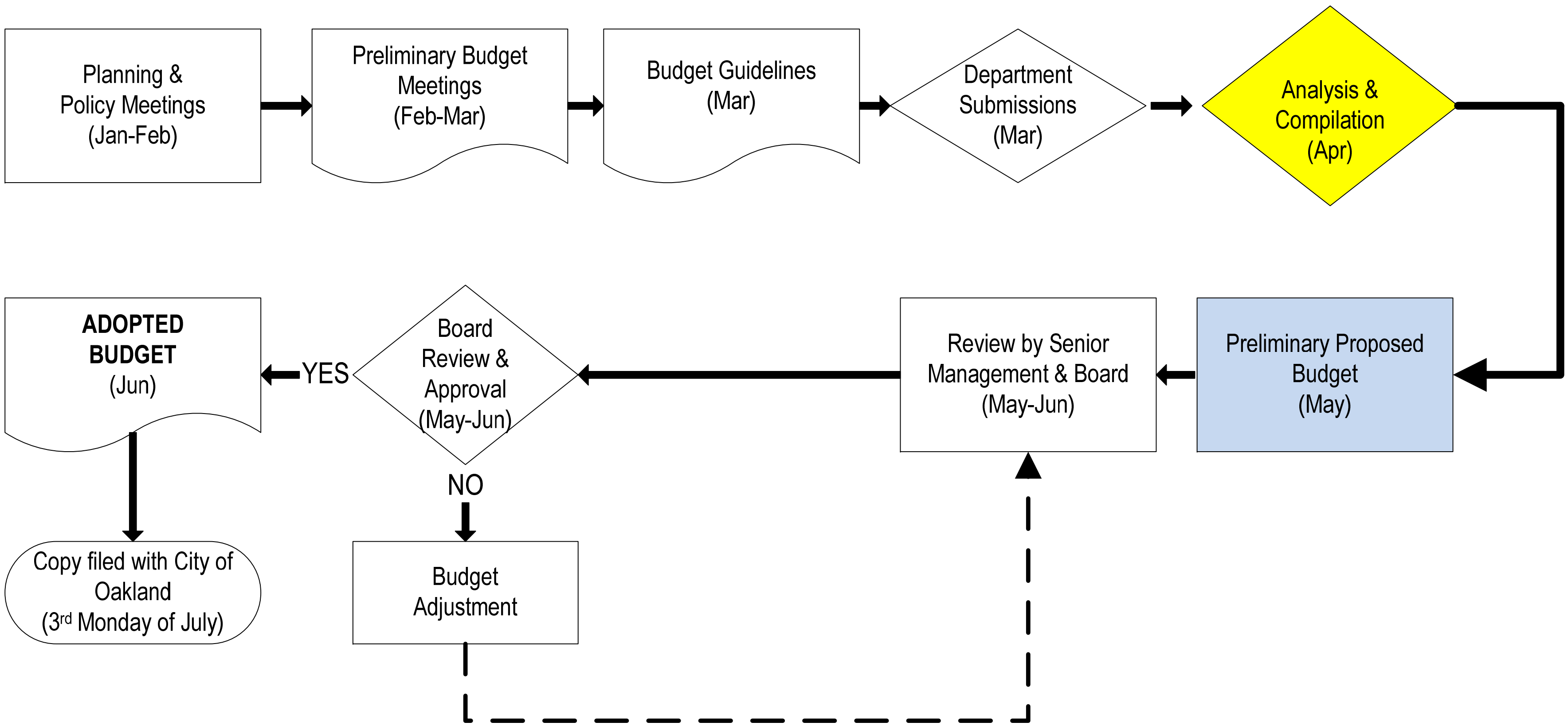
Uses of Funds



CFC = Customer Facility Charges collected by rental car companies

PFC = Passenger Facility Charges collected by the airlines

Budget Process Overview



2. Key Factors Influencing Development of FY 2018 Budget

The Port primarily serves as a landlord and manages three business lines.

Oakland Int'l Airport

- 12 million passengers
- 62 non-stop destinations
- 12 domestic and international airlines
- 4th largest airport in CA
- FY16 revenues = $173M

Commercial Real Estate

- Jack London Square, Oak Bus Park, Embarcadero Cove
- 100 tenants
- 3 million visitors
- 630 acres of public access and open space
- FY16 revenues = $16M

Oakland Seaport

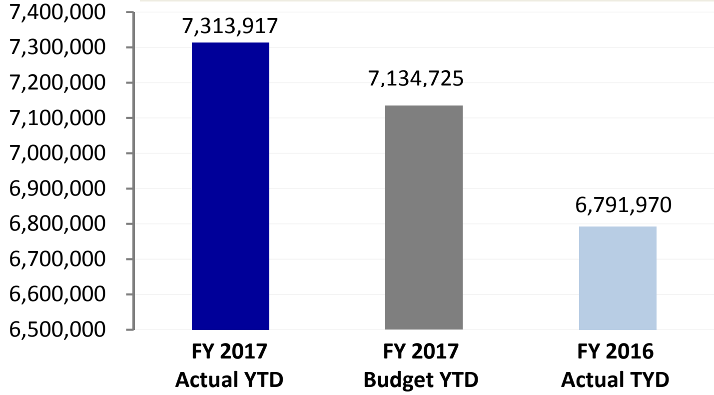
- 2.3 million TEUs
- 6 marine terminals
- 27 international shipping lines
- Top 10 seaport in US
- FY16 revenues = $149M

The Port possesses solid fundamentals, providing resiliency to Port revenues.

- The Port is geographically well-positioned and services a healthy local economy.
  - 87% of Airport traffic is “origin and destination”; closest airport to the majority of the population and downtown San Francisco; minimal weather delays
  - 85% of Maritime cargo is for local destinations; balanced import-export mix; shorter transit times to Asia; Class I railroad connections
- The three business lines provide diversity and stability to Port revenues.

For the first 7 months of FY 2017, Port operating performance has exceeded both budget and last year's performance.

Airport Passengers



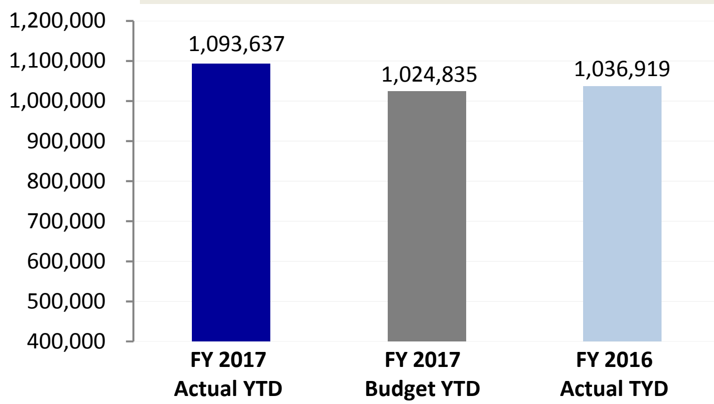
Comparison to Budget YTD 2.5%
Comparison to Prior YTD 7.7%

Operating Revenues

(millions)

	Unaudited 7 Months Ended Jan 2017	Comparison to 7 Months Ended Jan 2017 Budget Better/(Worse)		Comparison to 7 Months Ended Jan 16 Actual Better/(Worse)	
Aviation	$110	$3	2.6%	$10	9.6%
Maritime	96	8	9.3%	2	2.6%
CRE	10	1	6.2%	0	2.1%
Total	**$216**	**$12**	**5.6%**	**$12**	**6.0%**

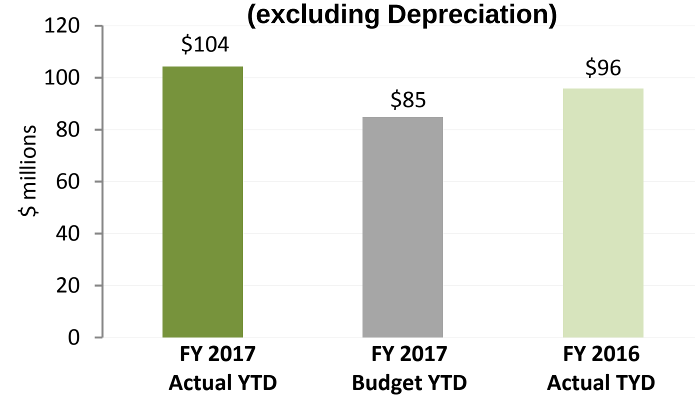
Maritime Full TEUs



Comparison to Budget YTD 6.7%
Comparison to Prior YTD 5.5%

Operating Income

(excluding Depreciation)



Comparison to Budget YTD 22.8%
Comparison to Prior YTD 8.8%

Unaudited, Preliminary Numbers – Subject to Change

The Port's financial position has improved significantly since the lows of 2009, but challenges persist.

Accomplishments

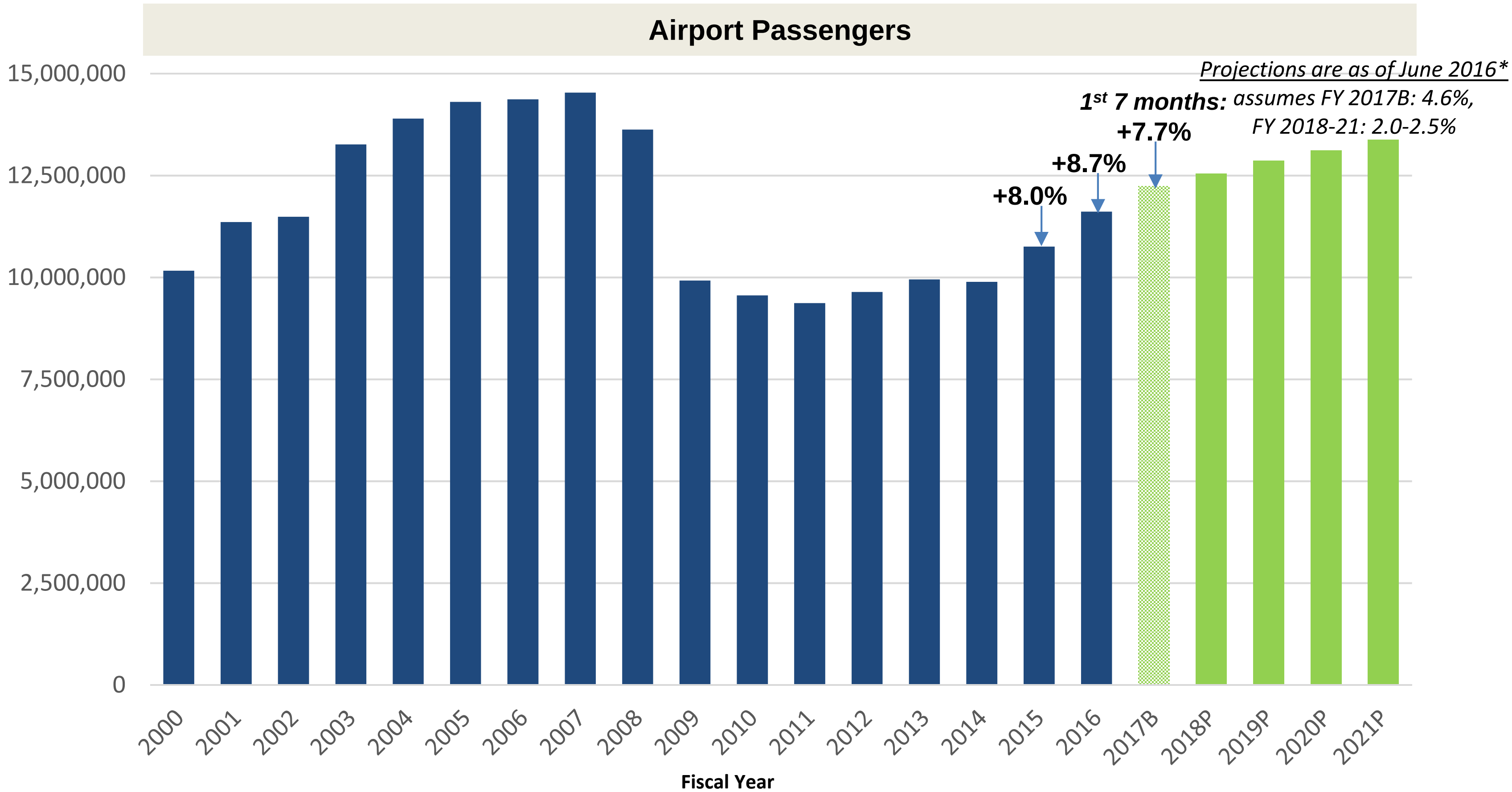
- Airport traffic has rebounded significantly in the past 3 years
- Maritime has retained all cargo and maintained revenues in light of major terminal operator ceasing operations
- Port has reduced aggregate debt service payments by $210M
- Port's liquidity position is back to airport/seaport industry standards
- Major capital improvements recently completed or underway: Runway Safety Area; Terminal 1 and IAB renovation; runway rehabilitation; expanded rail yard
- Capital investments by tenants demonstrate commitment to Port

Challenges

- Operating income is relatively flat (to negative), as increases in revenues are offset by increases in expenses
- Pension, healthcare, security, and regulatory costs continue to rise significantly
- Changes in the aviation and maritime industry pose additional demands
  - Accommodating larger planes and ships
  - Increased competition among airports and seaports
- Aging infrastructure
- Capacity constraint at the Airport terminal is in the horizon

- Management will continue to be very mindful and discerning in the development of the Port budget, focused on long-term financial strength and sustainability.

While the number of airport passengers is not directly correlated to Port revenues, it is an important indicator of airport health.

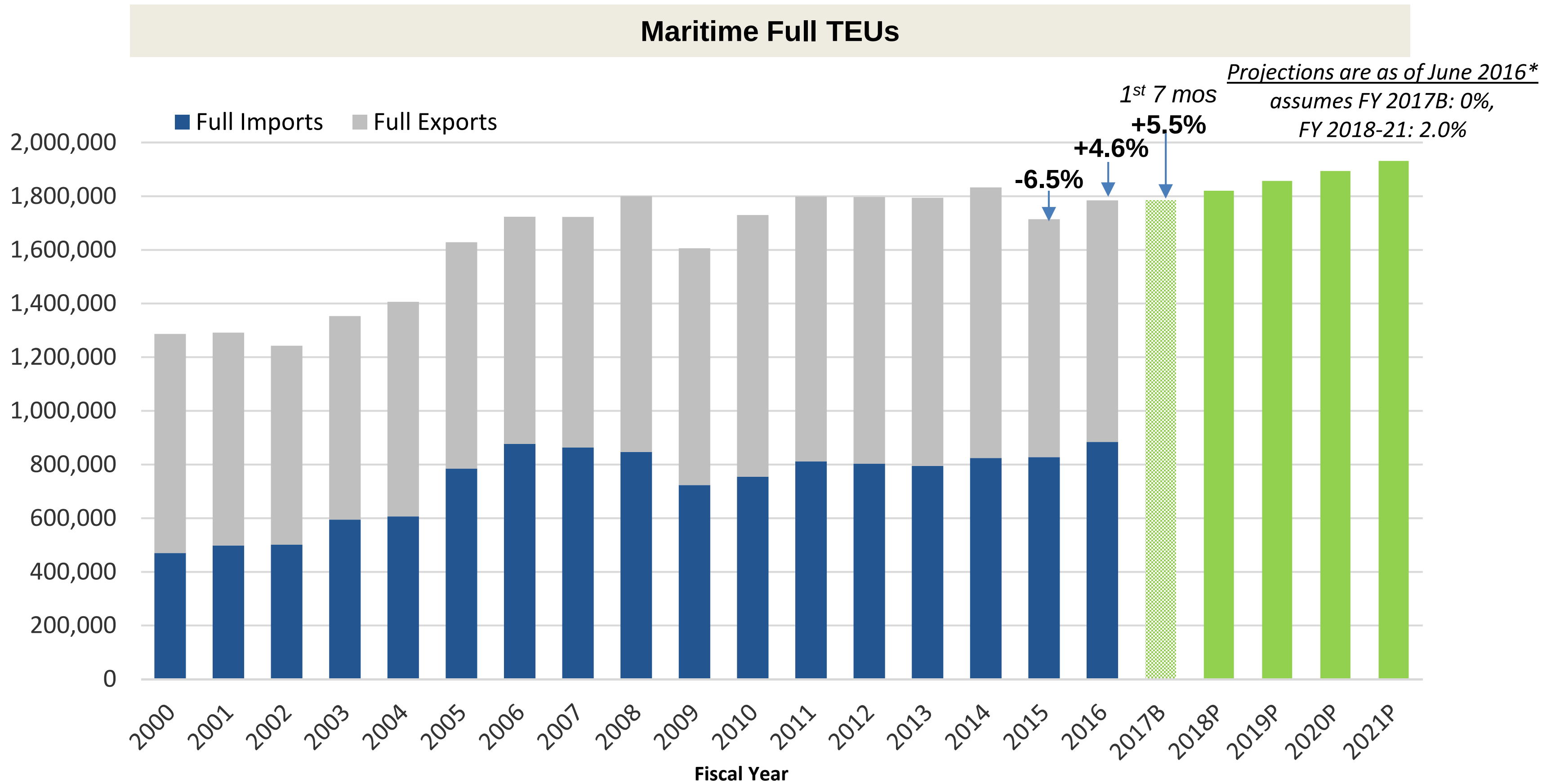


Compound Annual Growth Rate FY 2000 – 2016 = 0.8%

- ❑ The Airport has experienced 38 consecutive months of growth, with annual passengers growing from 9 to 12 million since 2011.

* Currently in the process of being updated; subject to change.

Cargo volume is also not directly correlated to Port revenues, however, it is an important indicator of maritime health.

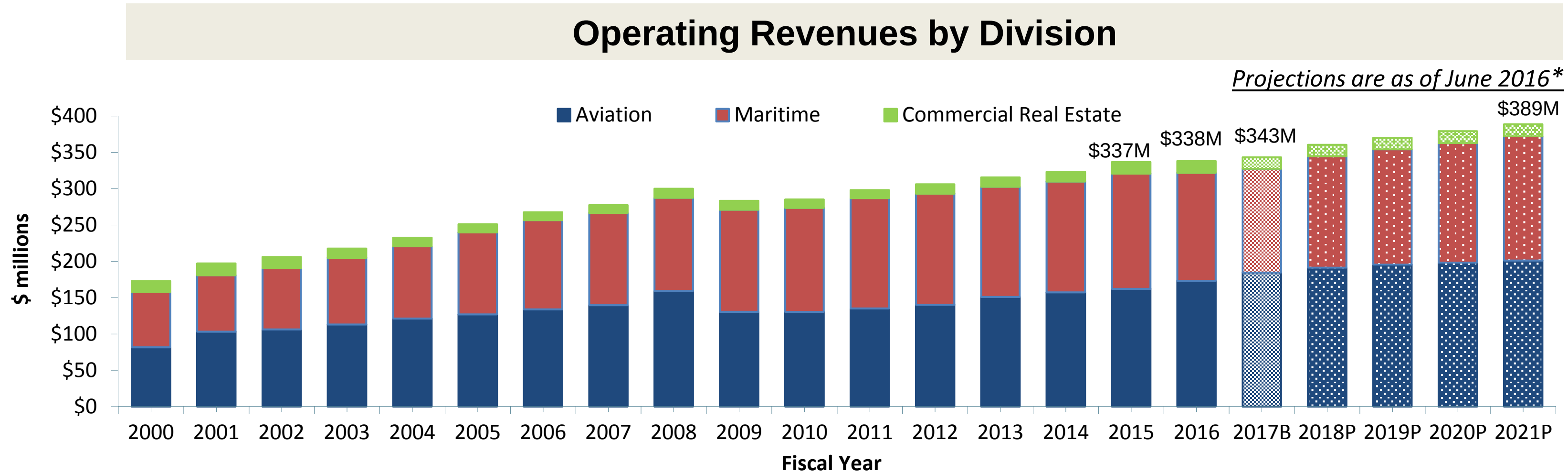


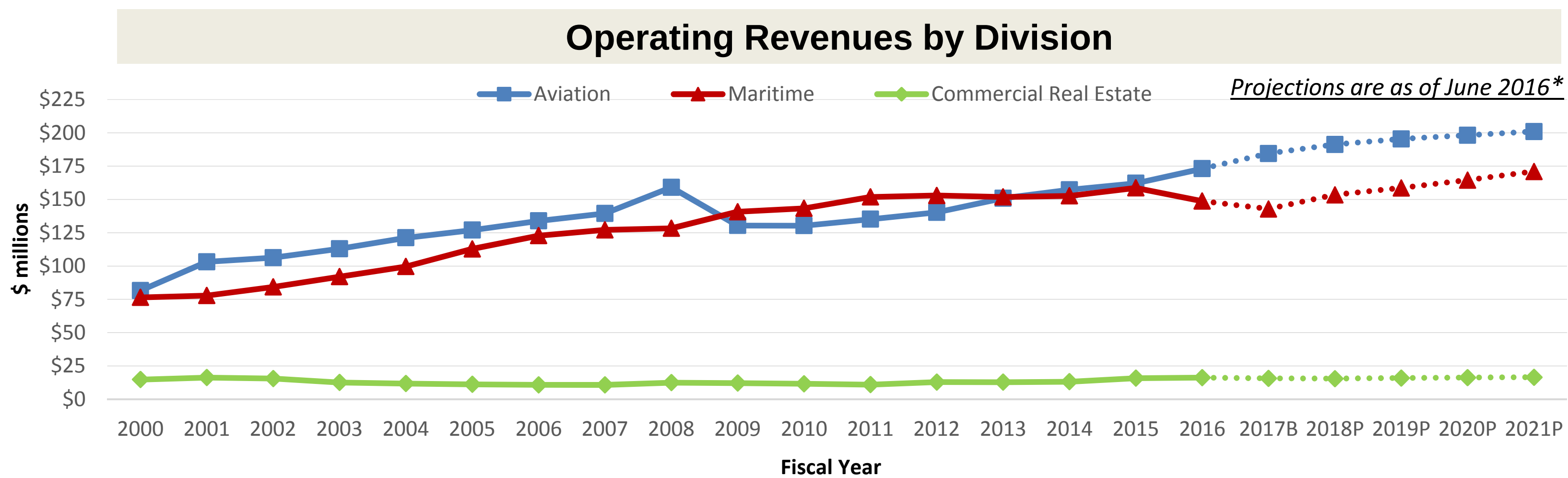
Compound Annual Growth Rate FY 2000 – 2016 = 2.1%

- Full TEUs increased 4.6% in FY 2016 and are up 5.5% for the first 7 months of FY 2017.

* Currently in the process of being updated; subject to change.

Airport and seaport each generate 45-50% of total Port revenues, with commercial real estate comprising the remaining 5%.



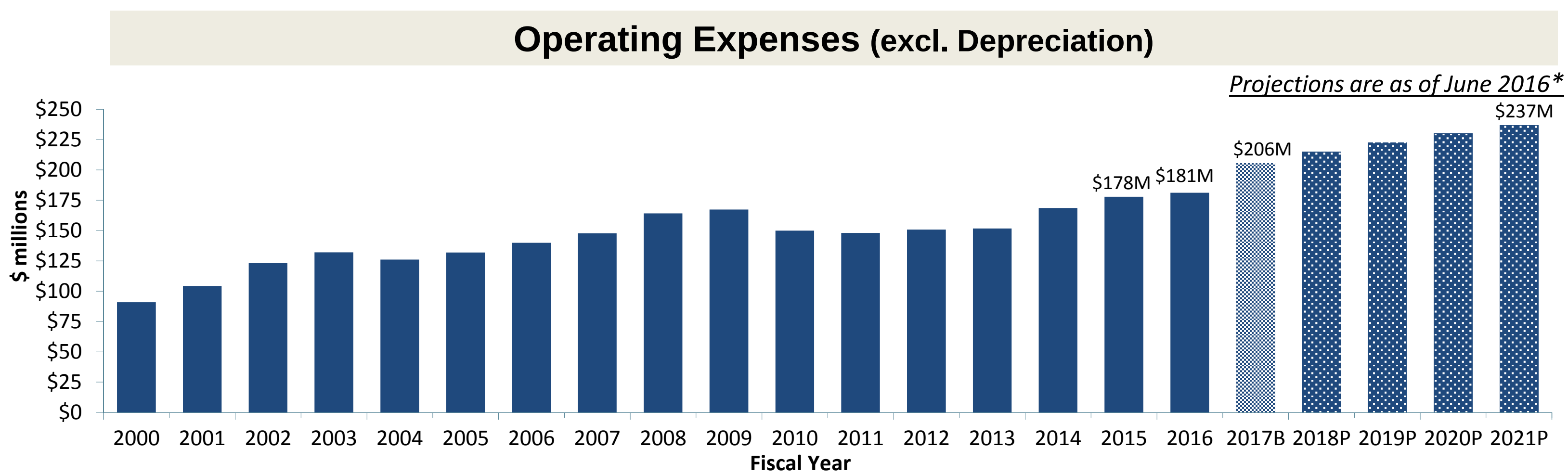


Compound Annual Growth Rate FY 2000 – 2016 = 4.3%

* Currently in the process of being updated; subject to change.

Operating expenses have grown at a faster rate than operating revenues in recent years.

Fiscal Year	Operating Revenues	Operating Expenses**	Operating Income**
2014	+2.4%	+11.7%	-5.7%
2015	+4.2%	+6.2%	+2.2%
2016	+0.4%	+4.3%	-3.7%



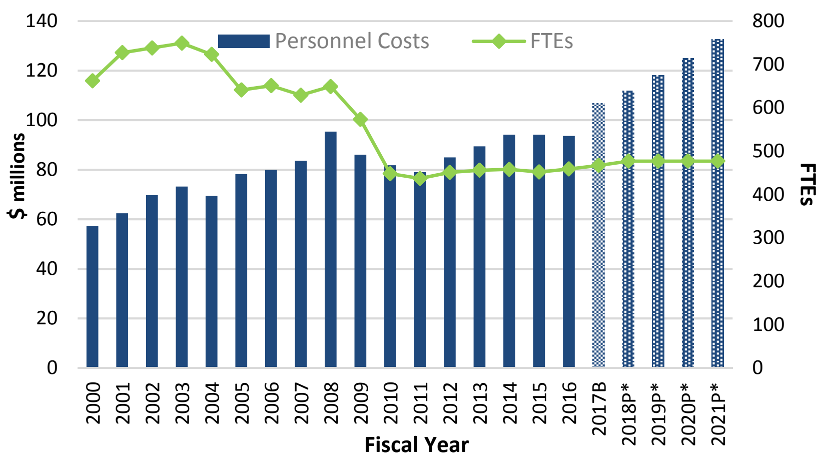
Compound Annual Growth Rate FY 2000 – 2016 = 4.4%

* Currently in the process of being updated; subject to change.

** Excludes depreciation and rental car busing costs which are paid for with Customer Facility Charges. Beginning with FY 2016, rental car busing cost are no longer recorded as operating expenses and have been reclassified to non-operating expenses.

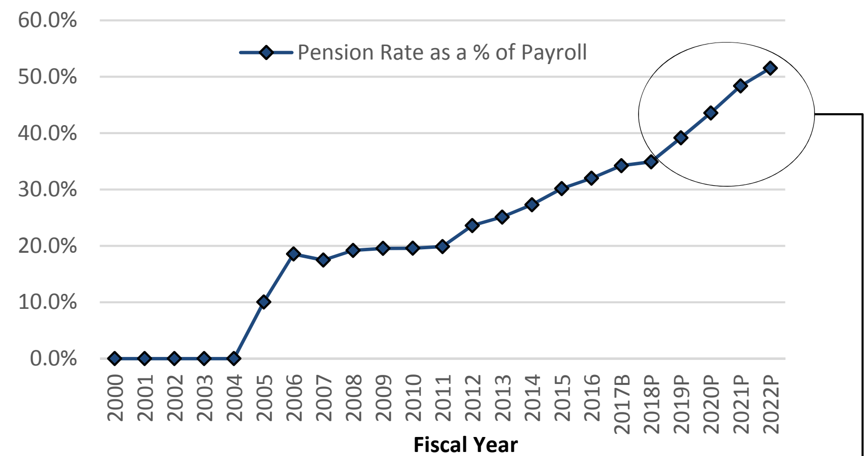
Personnel and security costs have increased and expected to continue to rise significantly.

Personnel Costs and FTES



FTEs	(38%) (from peak)
Personnel Costs	+63% (2000-2016)

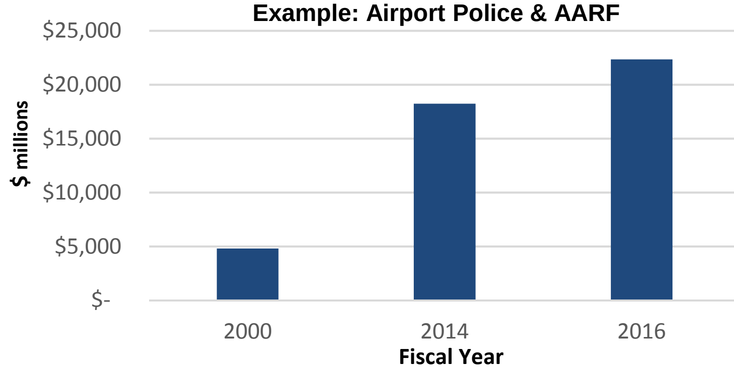
Pension Costs



Pension projections are based on CalPERS actuarial report and circular, and takes into account phasing-in of updated mortality study and lower discount rate

Security

Example: Airport Police & AARF



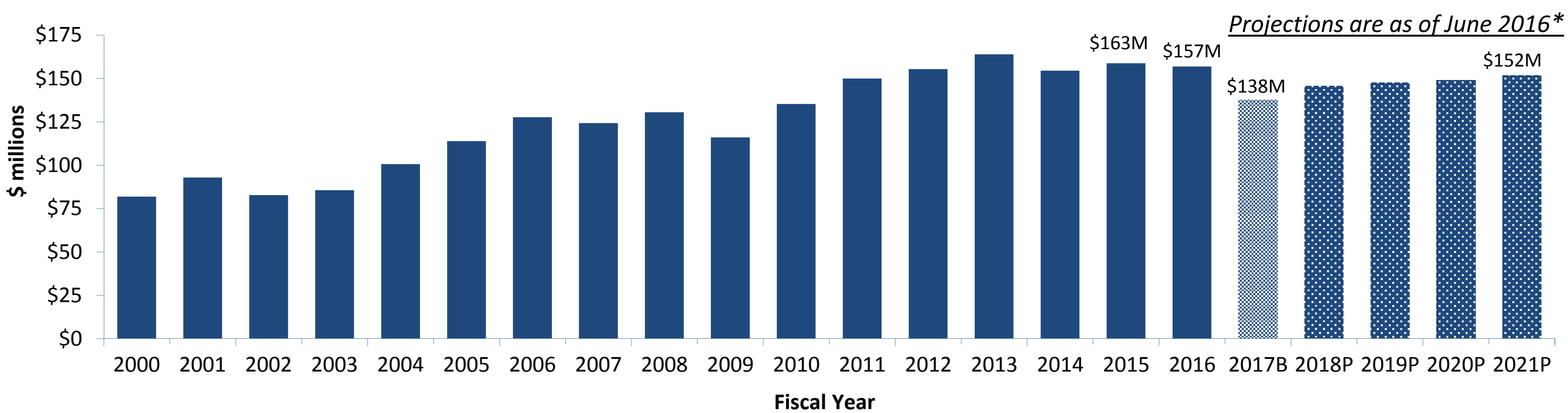
Compound Annual Growth Rate 2000-16 = 10.0%

* Currently in the process of being updated; subject to change.

For long-term financial sustainability, increases in expenses must be offset by increases in revenues; operating income must grow.

- Operating income** (excl. depreciation) is roughly the amount available to pay for debt service and capital expenses.
- The Port's annual debt service is approximately $105 million.
- Capital expenditures are needed to replace aging infrastructure and accommodate changes in the industry in order to remain relevant and competitive.

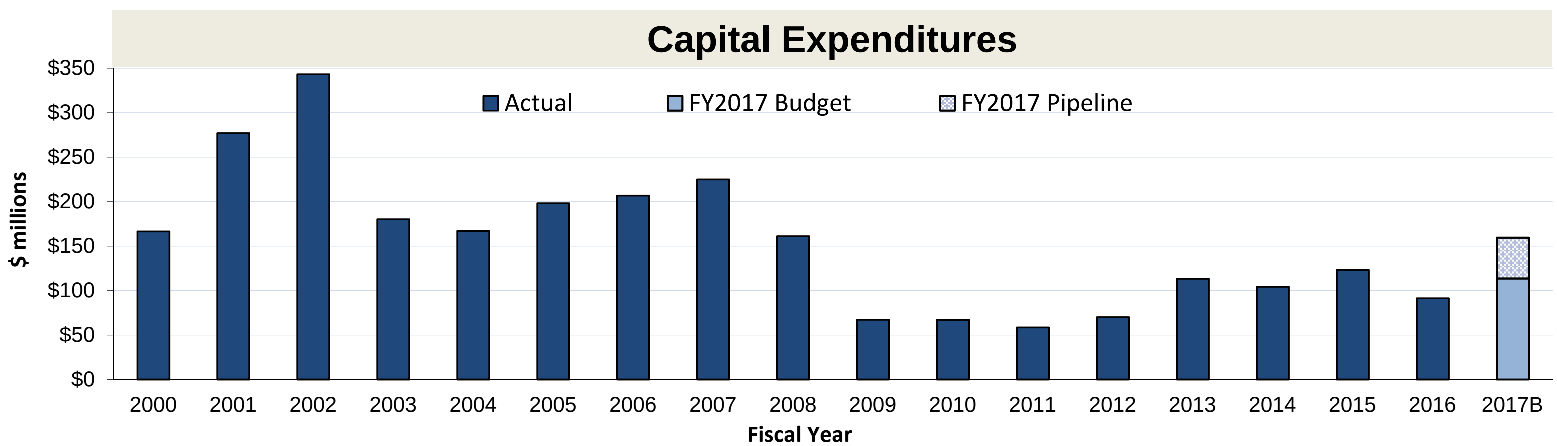
Operating Income (excl. Depreciation)



* Currently in the process of being updated; subject to change.
** Operating income is operating revenues remaining after payment of operating expenses.

Capital investments must be strategic, appropriately prioritized and well-planned for the Port to be successful in achieving financial sustainability.

	Major Port Capital Projects in Progress	Est. Costs*	Est. Completion
75-80% funded with AIP grants and PFCs	Terminal 1 Renovations (Building M102)	$90M	Summer 2017
	International Arrivals Building Renovations	45M	November 2017
	Runway Rehabilitation	57M	Fall 2017
	Certain Improvements Related to Private Investments	20M	varies
	Major Private Investments		
Port responsible for certain related-infrastructure improvements	Trapac Terminal Expansion & Improvements	$50M	Summer 2017
	Temperature Controlled Logistics Facility	90M	Summer 2018
	Logistics Facility - pending	50M	2018/2019
	Crane Raising	14-21M	2017-18



* Subject to change.

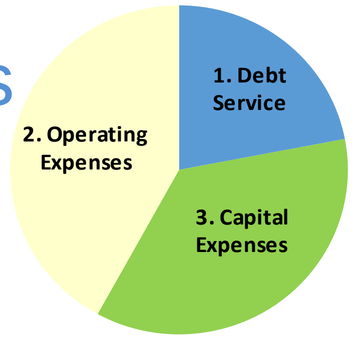
3. Key Budget Objectives and Assumptions

Key Budget Objectives

- Support and maintain day-to-day operations
- Continue progress on major capital projects underway
- Pay down portion of outstanding commercial paper notes
- Demonstrate smart, prudent and thoughtful budgeting to support long-term financial strength, resiliency and sustainability
- Provide flexibility and liquidity to protect against inherent operational, financial, political, and economic uncertainties
- Achieve the following financial metrics:
  - Improve operating income
  - Minimum Debt Service Coverage Ratio of 1.40x
  - Minimum June 30, 2018 cash balance* of around $150 million
    (excluding Board Reserves, PFC&CFC balance, Bond reserves and contractor retention held in escrow)
  - Board Reserves, consistent with policy, of approximately $70 million

* June 30 cash balance is used to pay upcoming November 1 debt payment of $64 million, construction contracts already executed, 5-Year Capital Improvement Program, day-to-day operating expenses and unfunded liabilities; balance also includes contractor retention and security deposits.

Preliminary Key Budget Assumptions

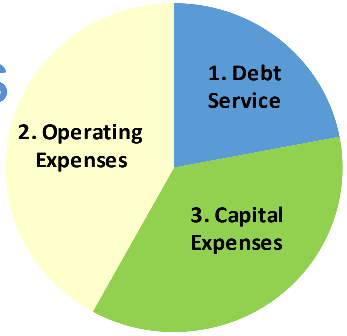


1. Debt Service Expenses

- Bond debt service payments are $101 million in FY 2018
- Continue repayment of outstanding commercial paper notes ($4-6 million)
- Minimum debt service coverage ratio* of 1.40x:
  - Provides minimum operating financial cushion
  - Continues progress on capital improvements
  - Maintains sufficient liquidity
  - Preserves credit ratings
  - Complies with Port debt policy
- Potential debt service savings from pending bond refunding not included

* Debt service coverage ratio reflects the financial cushion to make debt service payments. That is, it measures the amount of operating revenues remaining after payment of operating expenses and compares it to debt service payments.

Preliminary Key Budget Assumptions

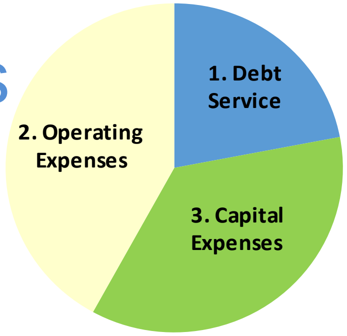


2a. Operating Expenses – Personnel

- No change in overall staffing levels, instead prioritization shall be:
  - Review vacancies and ensure that the most effective and needed positions are identified and appropriately placed
  - Fill vacancies – the vacancy factor will be lowered from 35 FTEs to 25 FTEs
  - Focus on smart and skilled management to achieve a high performing workforce

- *Personnel costs are currently estimated to increase approximately $5 million in FY 2018 with no change in staffing levels.*
- *The Port will not be able to sustain the projected significant increases in pension and medical costs (including retiree medical) unless we proactively manage our current and future personnel costs.*

Preliminary Key Budget Assumptions

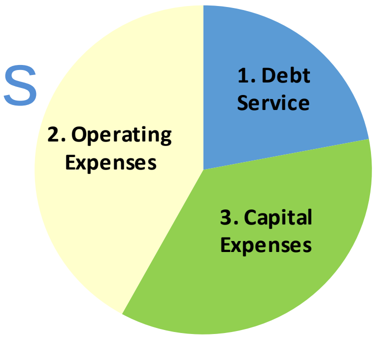


2b. Operating Expenses – Non Personnel

- Non-personnel budgets have been requested to remain in general flat with the following possible exceptions:
  - Contractually obligated increases, with no discretion and no reasonable offset
  - Costs are recovered in the same year (e.g. Airline Rates and Charges)
  - Maintenance and repairs, life-safety and regulatory matters
- Travel, hosting, and discretionary expenditures shall <u>continue</u> to be closely managed and limited to meeting key customers/stakeholders and revenue generating opportunities

- *Management will continue to closely manage, prioritize, and be prudent with expenditures, focused on long-term financial sustainability.*
- *Management will carefully evaluate actual rather than budgeted expenses, and review management practices.*

Preliminary Key Budget Assumptions



3. Capital Expenses

- Continue progress on major projects that are already underway

  Aviation
  - Terminal 1 Renovations
  - IAB Improvements
  - Runway Rehabilitation
  - Terminal 2 Gate Reconfiguration

  Maritime
  - Related-infrastructure improvements to support private/outside investment
  - Crane raising
  - Security initiatives

- Focus on contractual obligations, life safety, regulatory, and revenue maintenance projects
- Focus on timely and well-planned execution of projects.

- *Prioritization of capital projects is led by Director of Engineering and Revenue Directors.*
- *Capital budget always takes into account funding availability, balancing available cash against preserving liquidity and financial flexibility.*
- *Capital investments must be strategic, appropriately prioritized and well-planned for the Port to be successful in achieving long-term financial sustainability.*

Anticipated Schedule

March 23	Board Update #1
	– *Overview, Key Factors, Objectives and Assumptions*
May 11	Board Update #2
	– *Key Assumptions and Preliminary Budget Numbers*
June 22	Request Board adoption of FY 2018 Operating and Capital Budgets
July 5	Submit Adopted FY 2018 Budget to City