



Fiscal Year 2018  
Financial Highlights  
(July 1, 2017 – June 30, 2018)

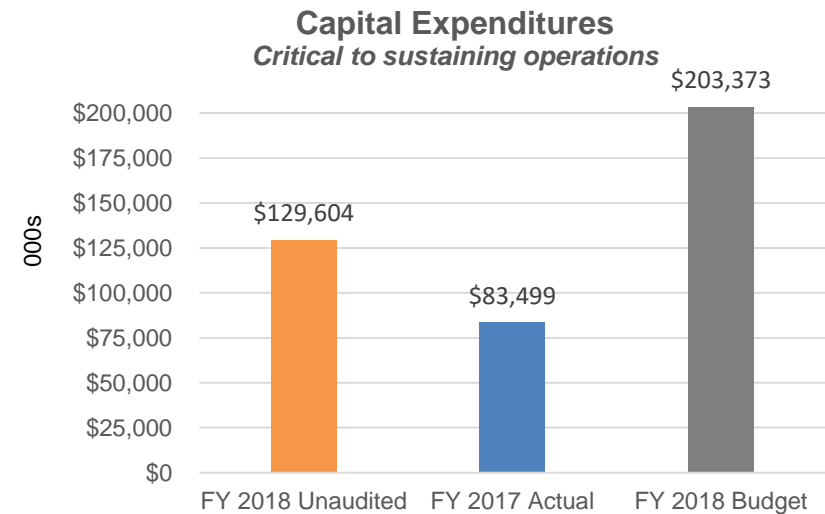
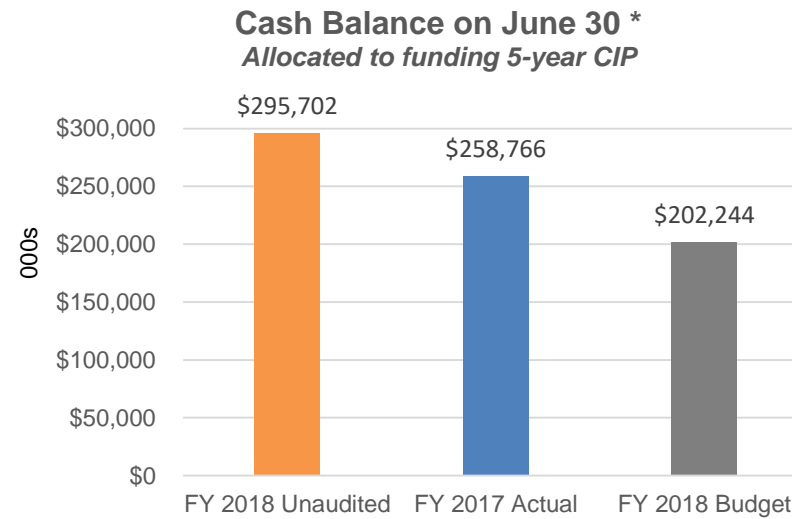
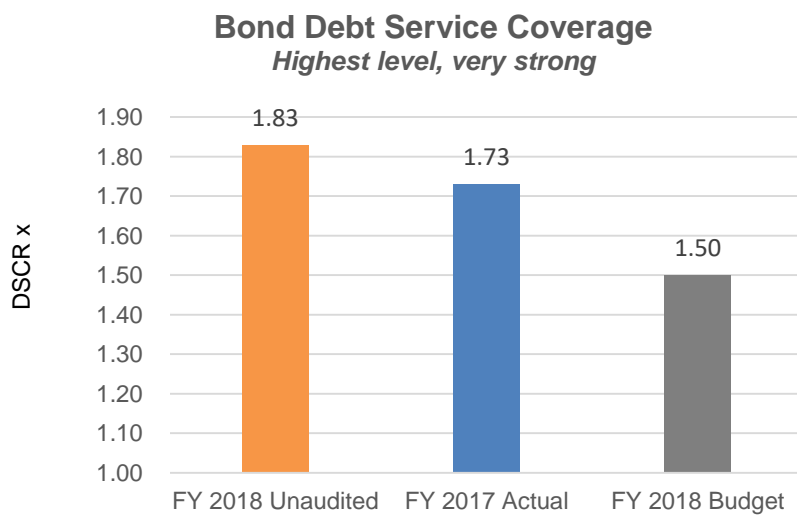
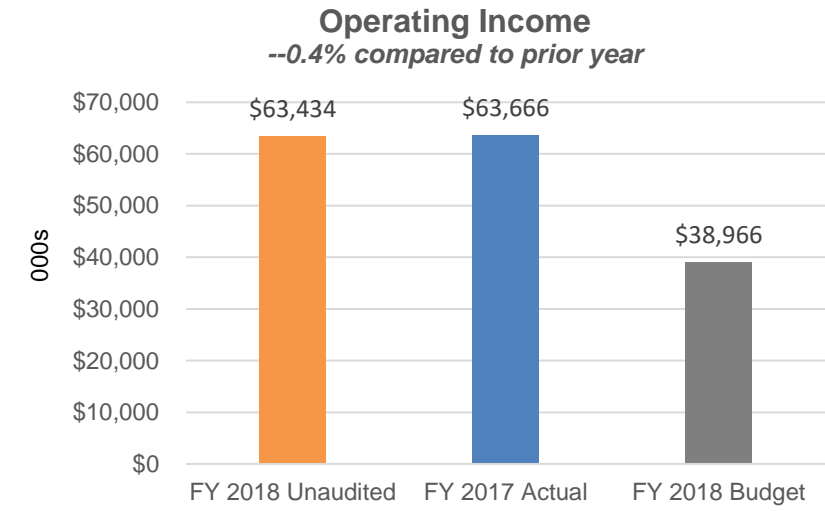
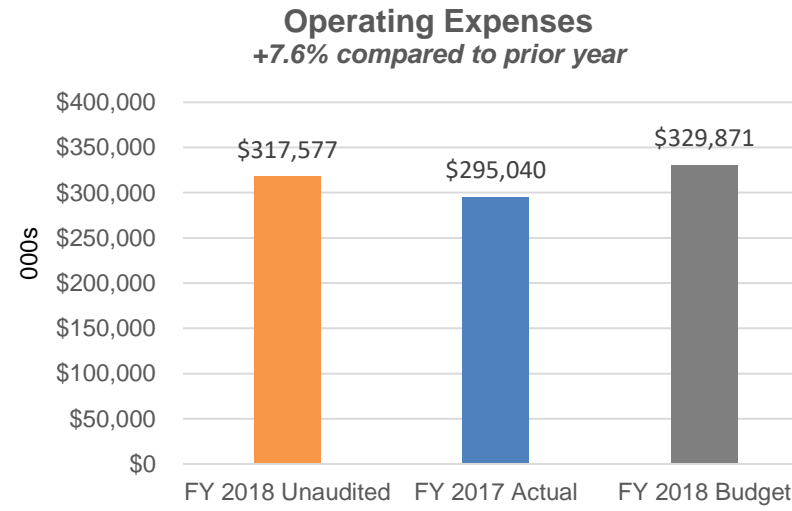
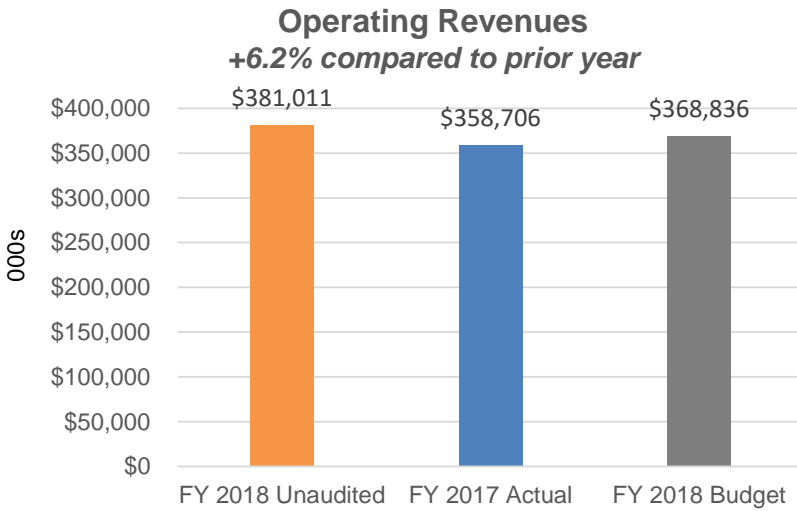
*Preliminary Unaudited Results*

Board of Port Commissioners Meeting  
October 25, 2018

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Note: All FY 2018 numbers are unaudited, preliminary and subject to change.

# The Port's overall financial position remains solid, with strong liquidity and debt service coverage.



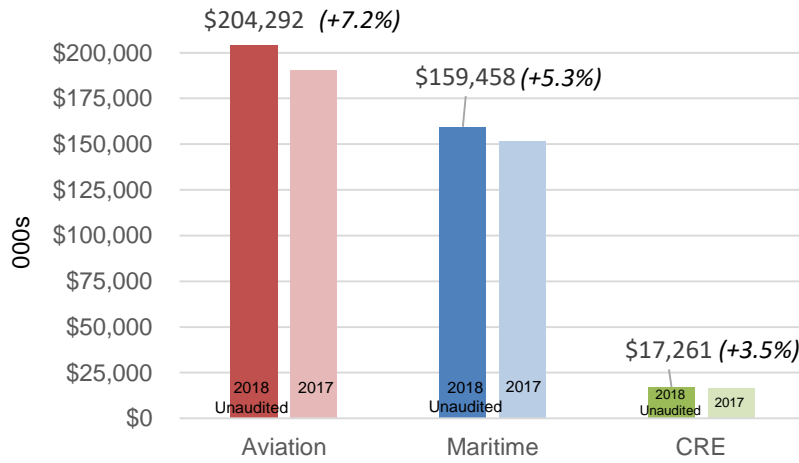
\* Excludes Board Reserves, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), Trustee-held bond reserves and contractor retention held in escrow.

In FY 2018, Port-wide operating expenses increased \$22.5 million  
or 7.6% compared to FY 2017.

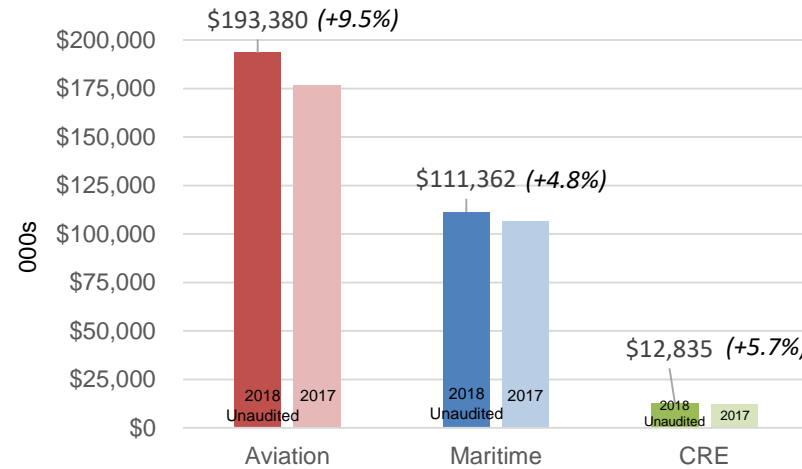
Operating Expenses (\$000s)	FY 2018 Unaudited	FY 2017	Difference \$	Difference %
Personnel Costs	\$113,812	\$102,016	\$11,796	11.6%
Pollution Remediation - Aviation	2,693	271	2,422	893.7%
US Customs Border Patrol - Aviation	1,527	318	1,209	380.2%
Maintenance Dredging - Maritime	2,730	1,672	1,058	63.3%
Law Enforcement & Security - Aviation	19,207	18,190	1,017	5.6%
Oracle Technical Upgrade - Aviation, Maritime, CRE	958	0	958	n/a
Specialized Consultants for Planning Support - Maritime	2,005	1,010	995	98.5%
Specialized Consultants for Planning Support - Aviation	1,805	1,023	782	76.4%
Depreciation – Aviation, Maritime, CRE	112,031	106,255	5,776	5.4%
Major Maintenance - Maritime	1,490	2,723	(1,233)	-45.3%
Cooperative Marketing - Aviation	408	1,494	(1,086)	-72.7%
Pollution Remediation - Maritime	1,260	2,005	(745)	-37.2%
Other	57,651	58,063	(412)	-0.7%
Total	\$317,577	\$295,040	\$22,537	7.6%

# The business models and financial profiles differ among the Port's three business lines.

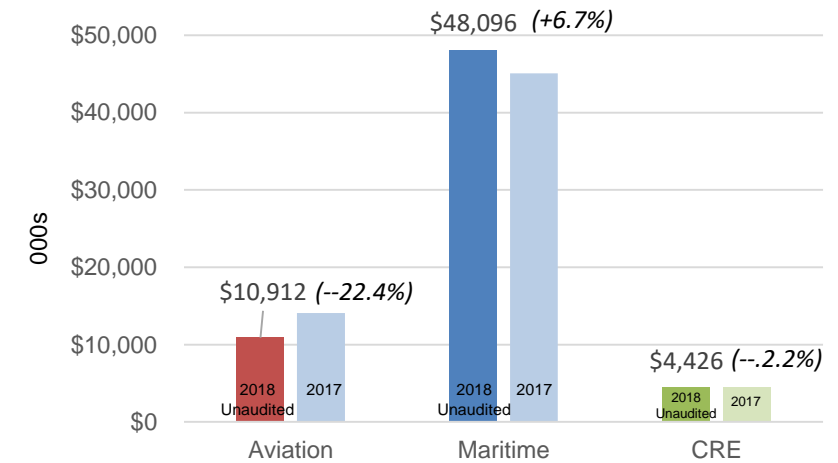
## Operating Revenues



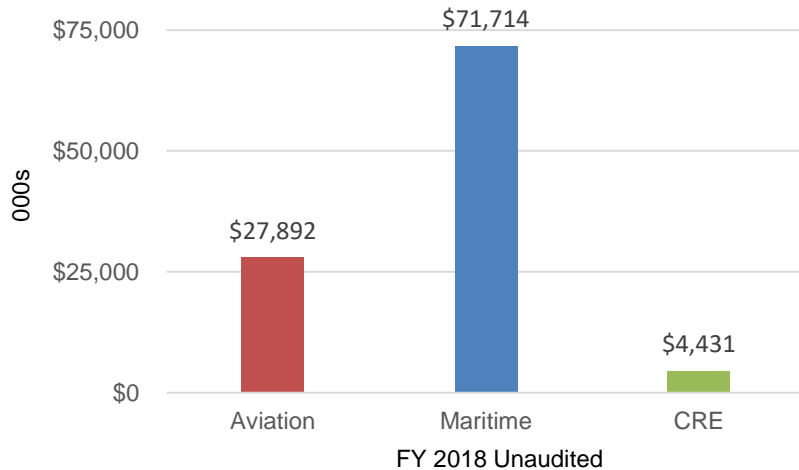
## Operating Expenses



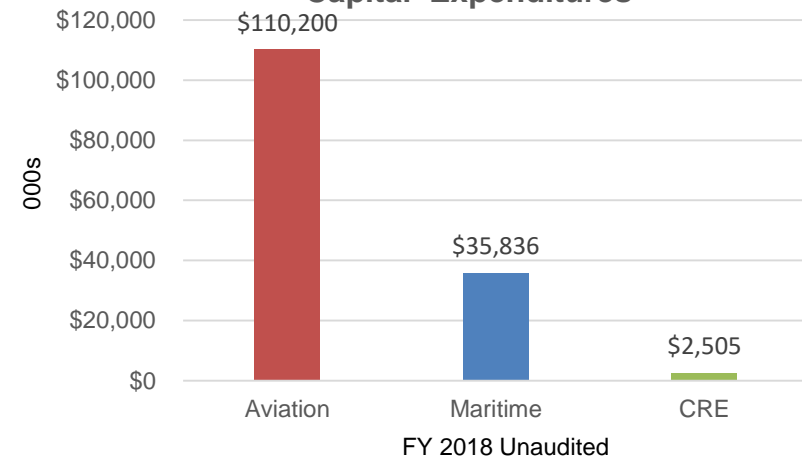
## Operating Income



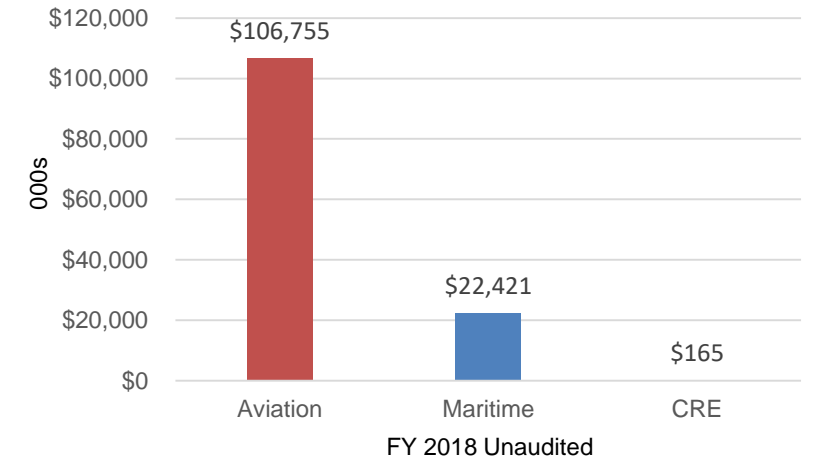
## Debt Service



## Estimated Cash Flow Generated for Capital Expenditures\*

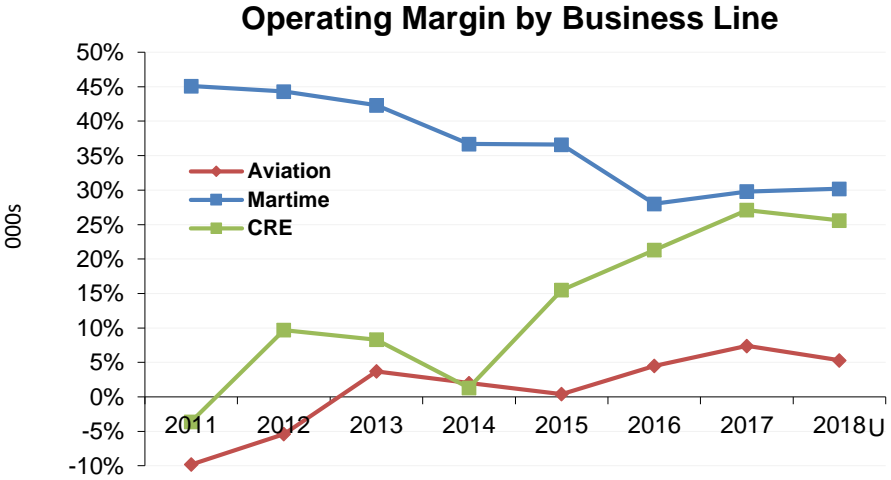
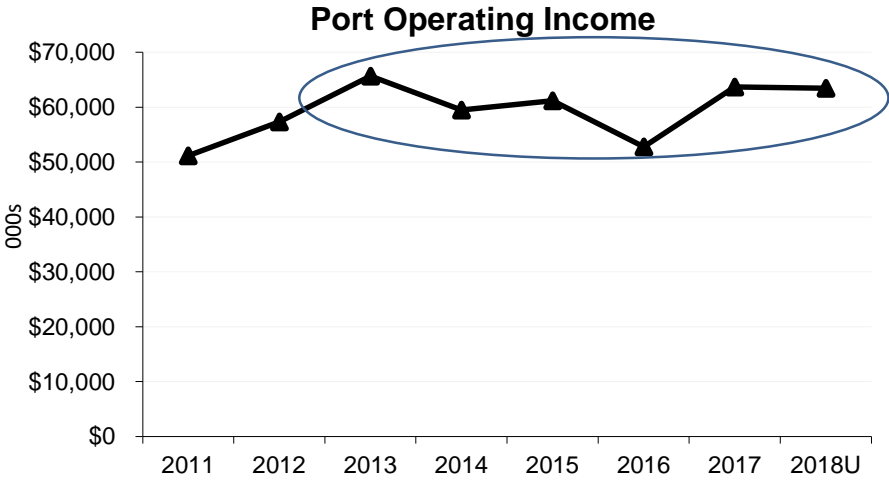
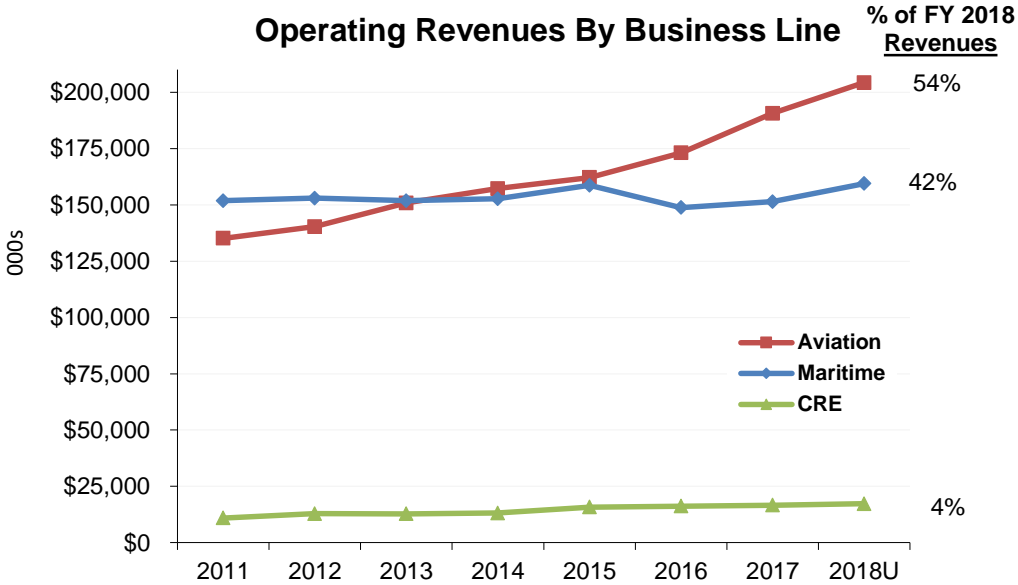
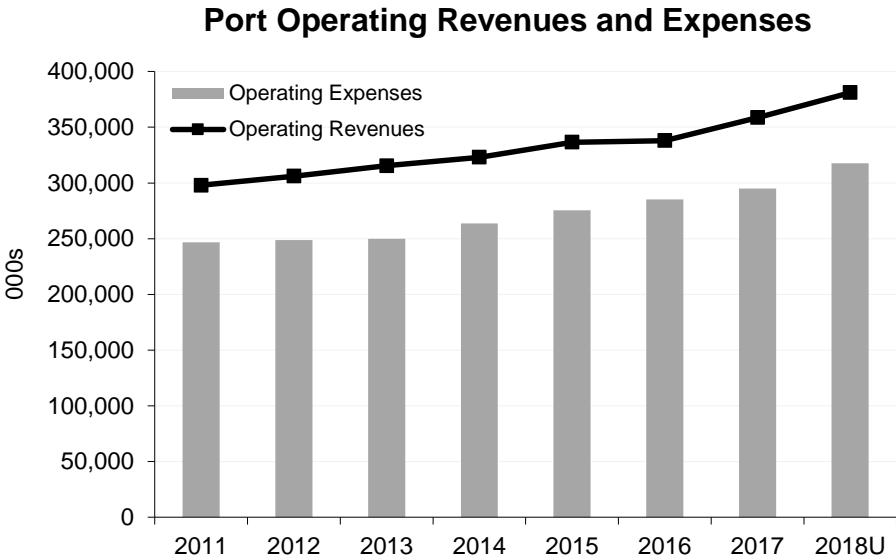


## Capital Expenditures

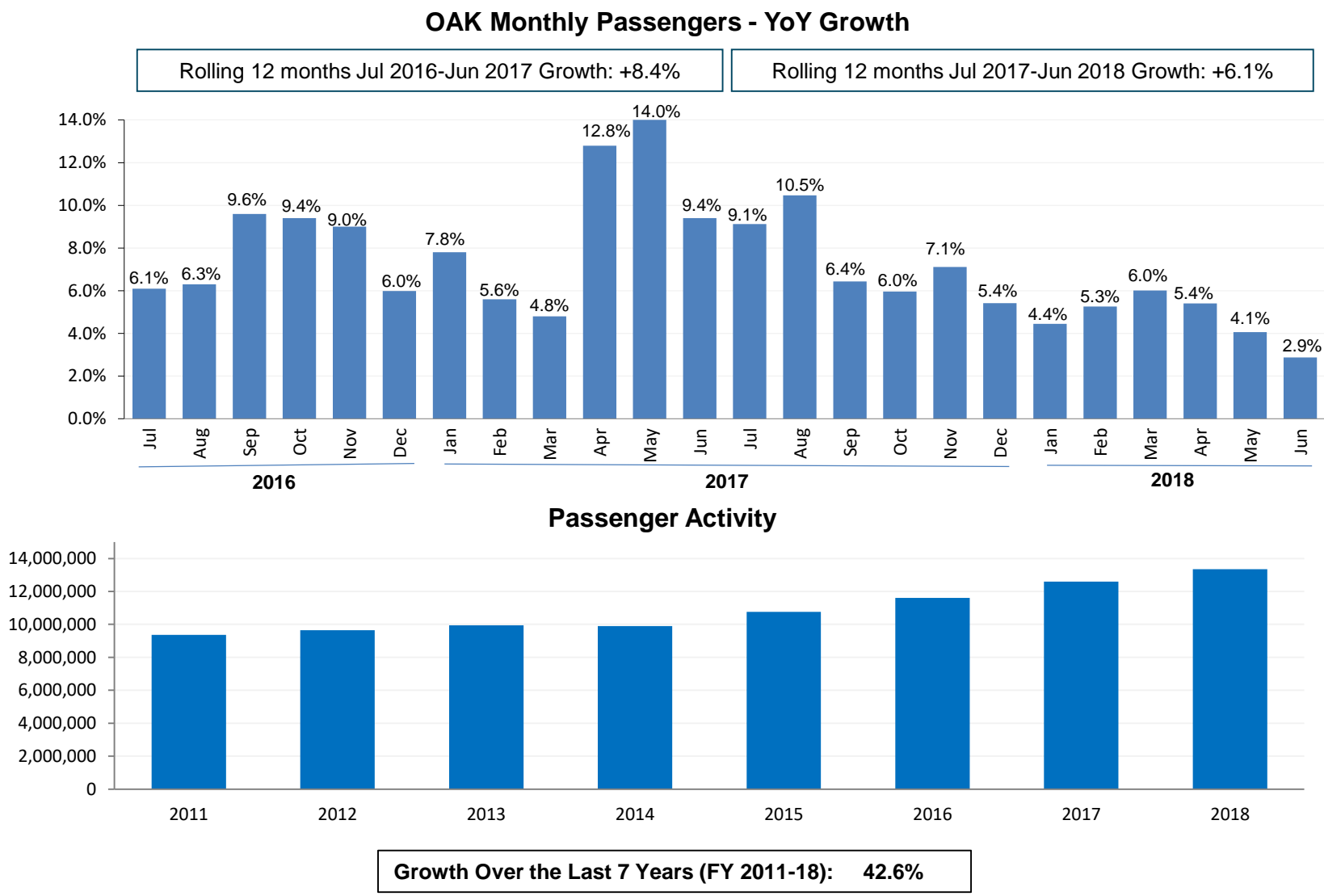


\* Includes grants, PFCs and CFCs.

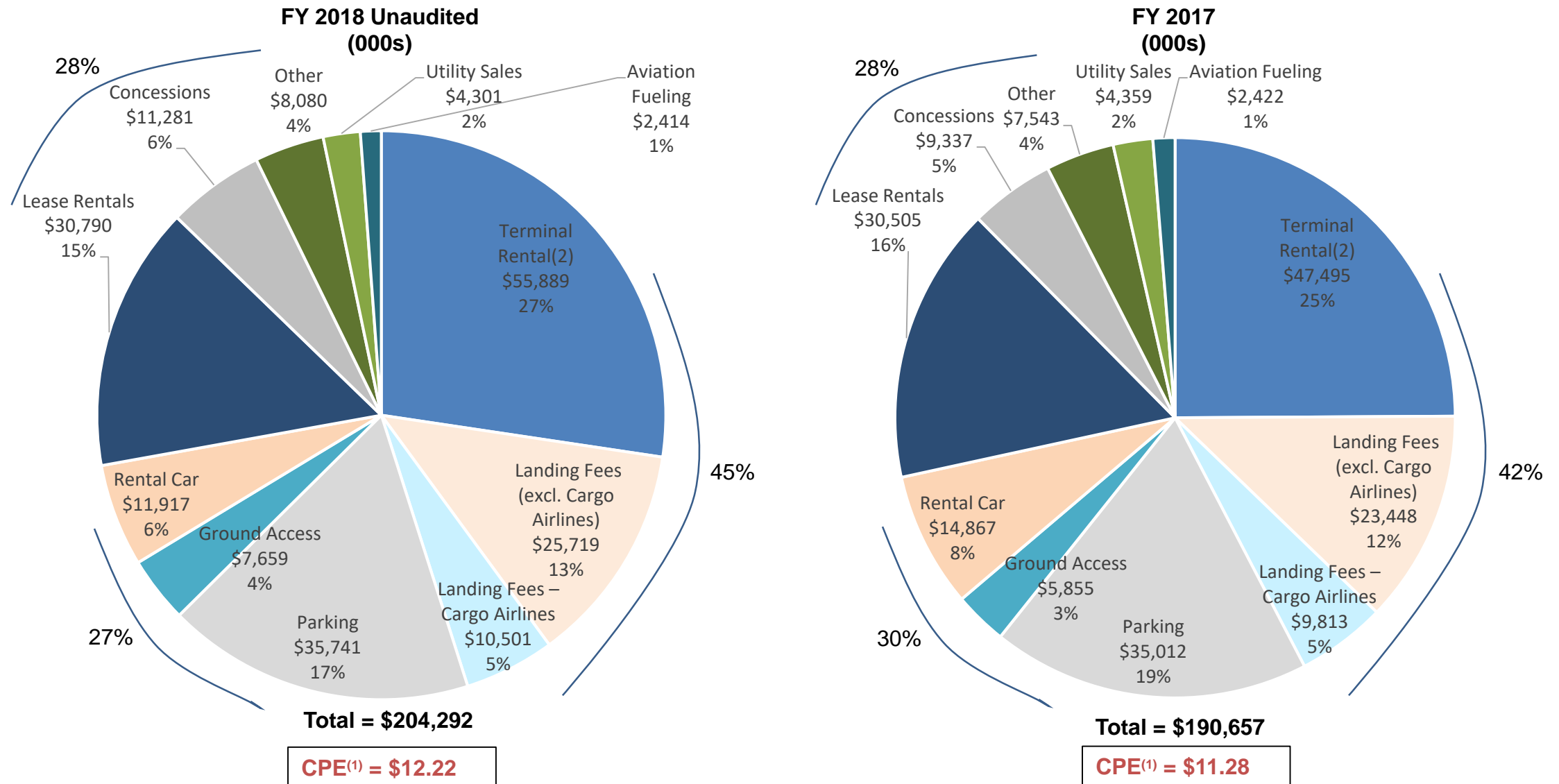
The Port’s operating income remains steady.



OAK served 13.4 million passengers in FY 2018, a 6.1% growth from the prior fiscal year.



Aviation revenues of \$204.3 million increased 7.2% or \$13.6 million, driven by higher airlines' rates and traffic growth. Airline revenues grew 14%, while non-airline revenues grew 2%.



(1) Cost per Enplaned Passenger (CPE) is a unit cost, commonly used to evaluate the average cost to an airline on a per passenger basis to use airport facilities.

(2) Includes passenger airline rentals only. Non-airline terminal rental revenues are classified under "Other".

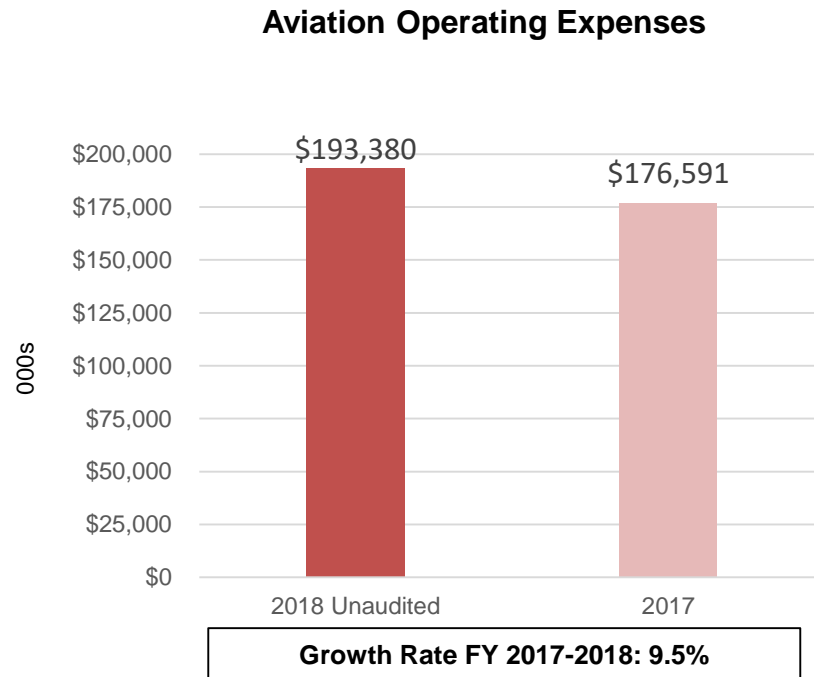


Aviation also receives PFCs, CFCs and AIP grants on an annual basis to support capital projects and rental car operations.

**Aviation – Other Annual Funding Sources  
(000s)**

	<b>FY 2018 Unaudited</b>	<b>FY 2017</b>	<b>FY 2016</b>
Passenger Facility Charges	\$25,903	\$24,520	\$22,929
Customer Facility Charges	5,525	6,010	5,939
AIP and Other Grants	45,242	11,184	16,511
<b>Total</b>	<b>\$76,670</b>	<b>\$41,714</b>	<b>\$45,379</b>

Aviation operating expenses increased \$16.8 million or 9.5%; only a portion of the increases is recoverable through airline rates and charges.

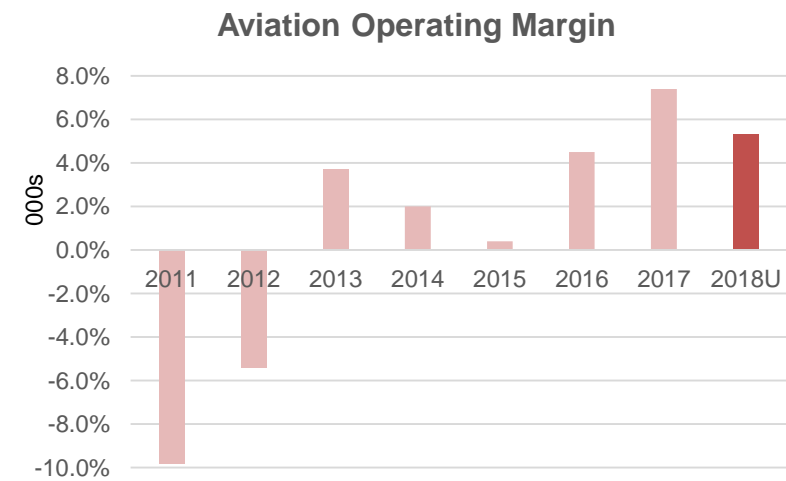
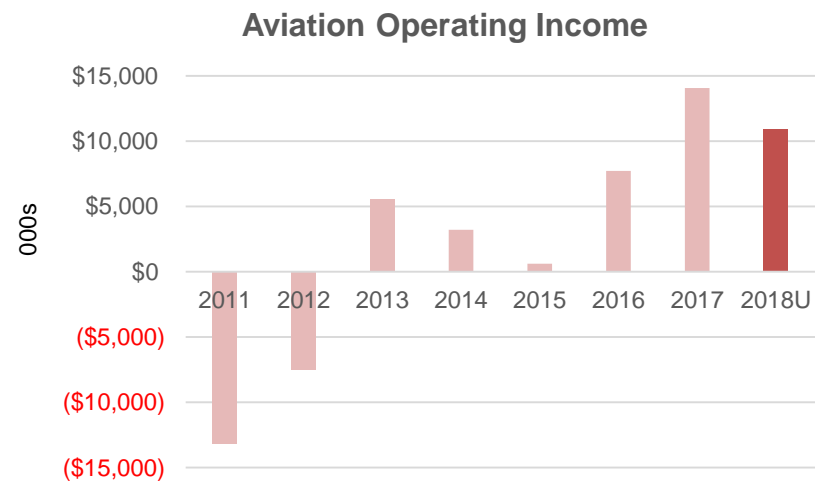
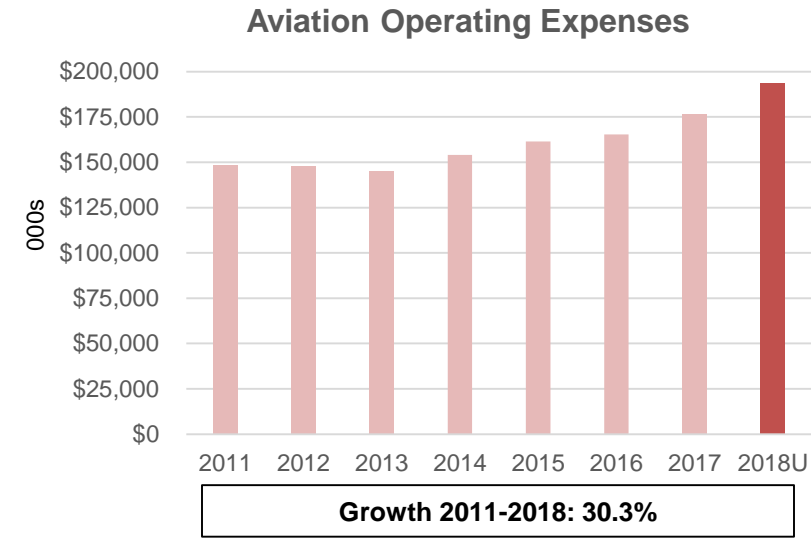
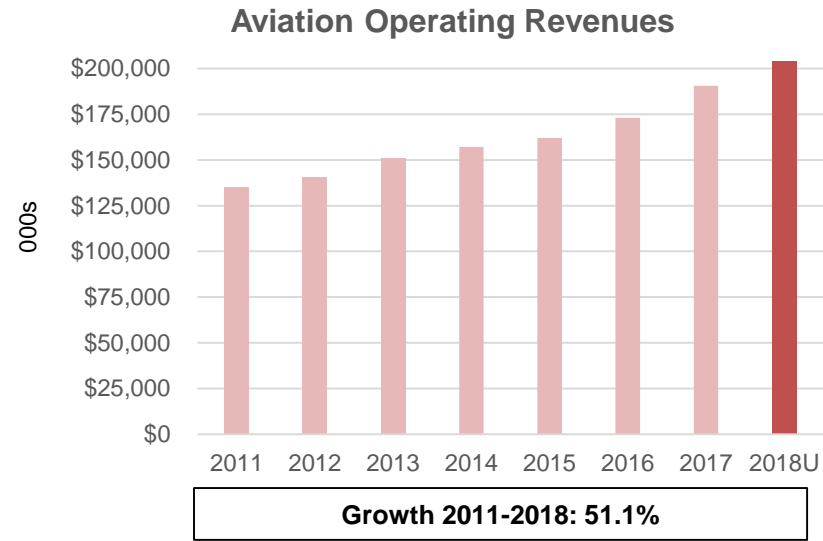


- ❖ Operating expenses are the day-to-day costs of running the Airport, including the amortized cost of necessary infrastructure such as runway and terminal (expressed as depreciation), incurred to generate the revenues.

#### Significant Changes

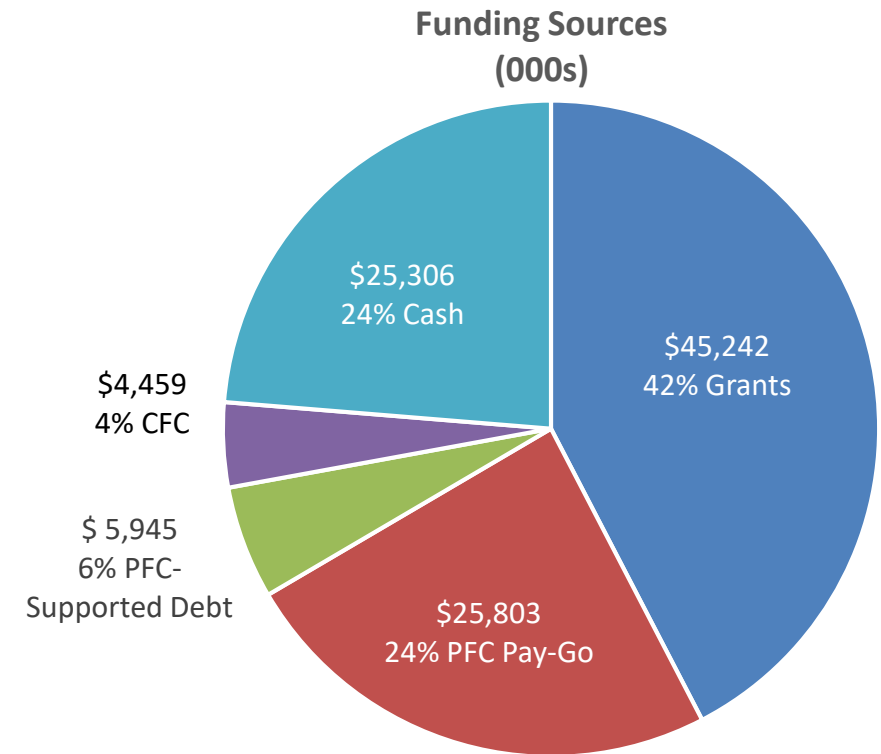
- ❑ Approximately 70% or 353 FTEs are utilized to operate Aviation; personnel costs increased approximately \$8.3 million
- ❑ Pollution remediation increased \$2.4 million
- ❑ Custom Border Patrol services increased \$1.2 million due to increased international service
- ❑ Security costs increased \$1.0 million due to higher traffic and cost of living adjustments
- ❑ Planning and assessment studies increased \$0.8 million, primarily to support longer-term planning efforts
- ❑ Depreciation increased \$4.9 million, reflecting the completion of several large capital assets necessary to generate operating revenues (Runway rehabilitation and Terminal 2 renovations)
- ❑ Cooperative marketing decreased \$1.1 million due to unpredictable timing of payments for new service offerings

In recent years, improvements to airline rates and charges methodology and higher traffic have improved financial performance; however, cost pressures continue with airline CPE increasing 8.3%.



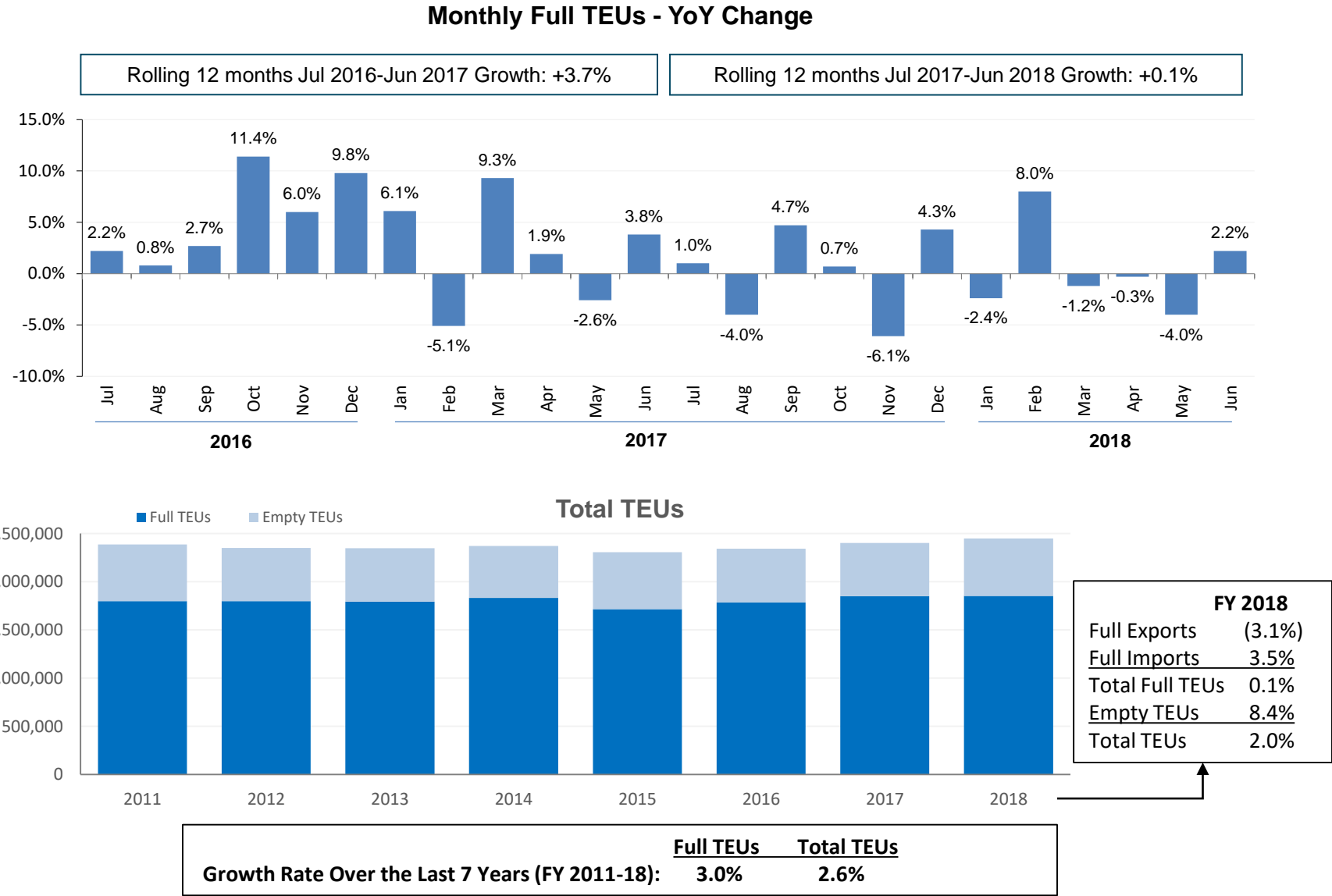
## FY 2018 Capital Expenditures – Aviation

Project	FY 2018 Expenditures Unaudited (000s)	Status
Runway 12/30 Rehabilitation	\$52,960	Substantially Complete
International Arrivals Building Improvements	17,403	Complete
Terminal 1 M102 Renovation	13,025	Complete
Rental Car Site Improvements	4,398	Substantially Complete
TSA Explosive Detection System Recapitalization	4,772	In Progress
Ground Support Equipment Electrification	2,535	In Progress
Runway Safety Area (RSA) Construction	1,905	Substantially Complete
Parking Access Revenue Control System	1,474	In Progress
Airport Shuttle Fleet Replacement	1,436	Complete
Capital Equipment	1,358	Complete
ARFF Roof	1,204	Substantially Complete
Other Projects (Multiple Projects less than \$1 million)	4,285	N/A
<b>Total</b>	<b>\$ 106,755</b>	

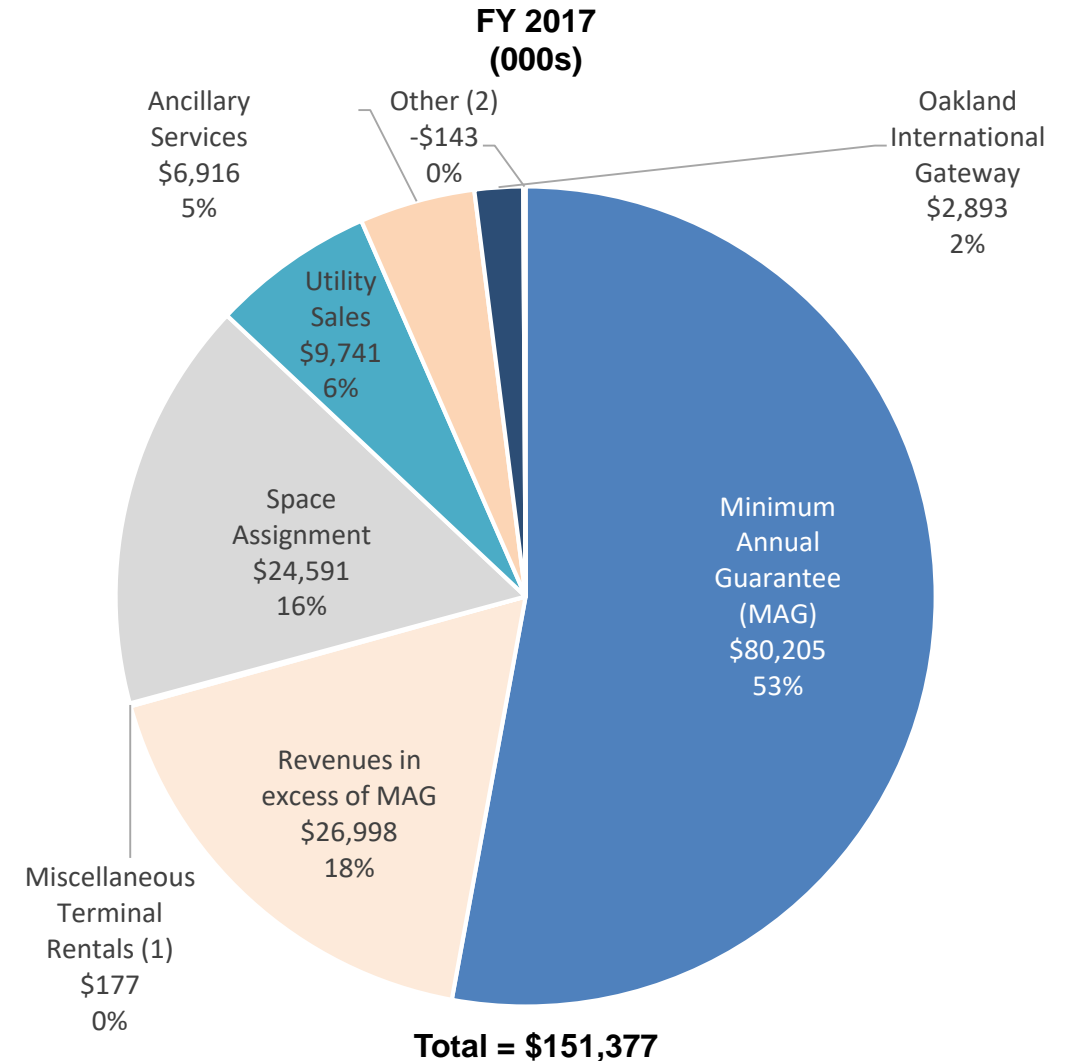
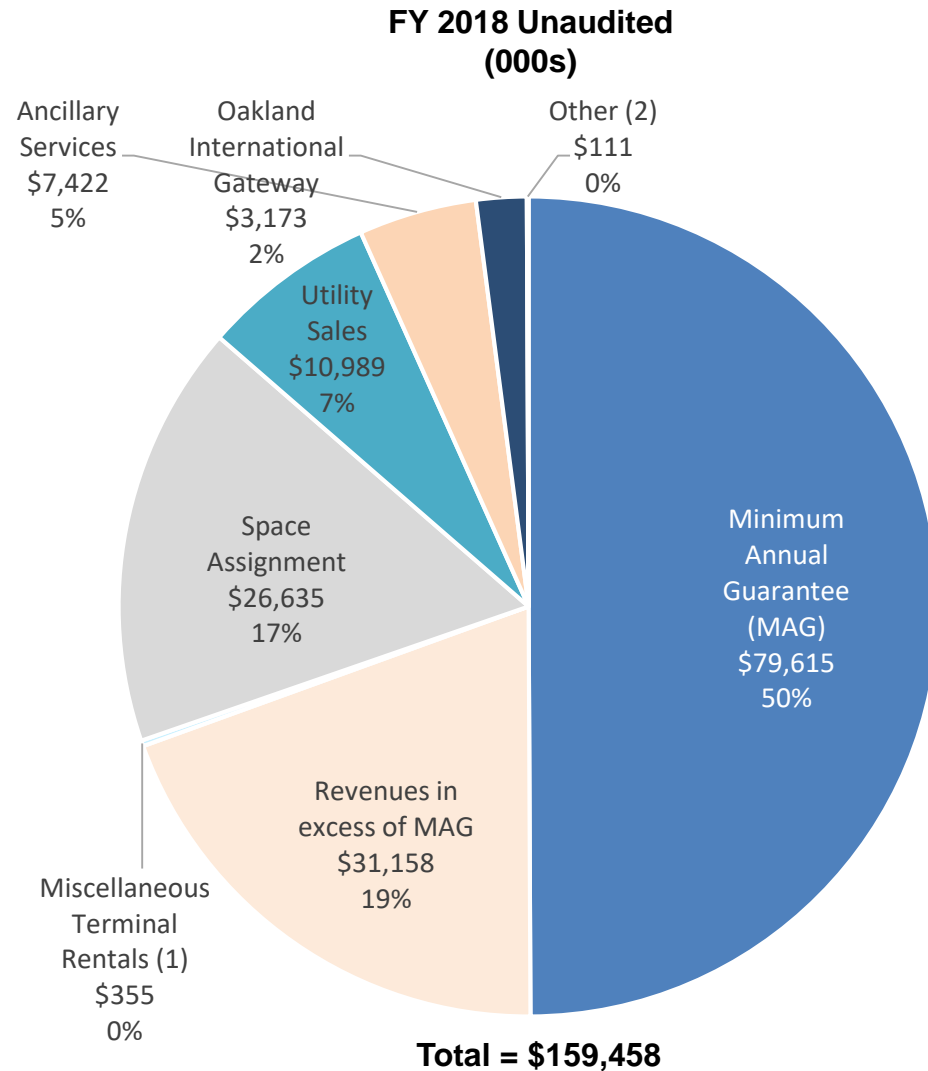


❑ Significant airfield and terminal capital investments were enabled by AIP grants and PFCs.

The Seaport moved 2.4 million TEUs in FY 2018, a 2% growth from the prior year.



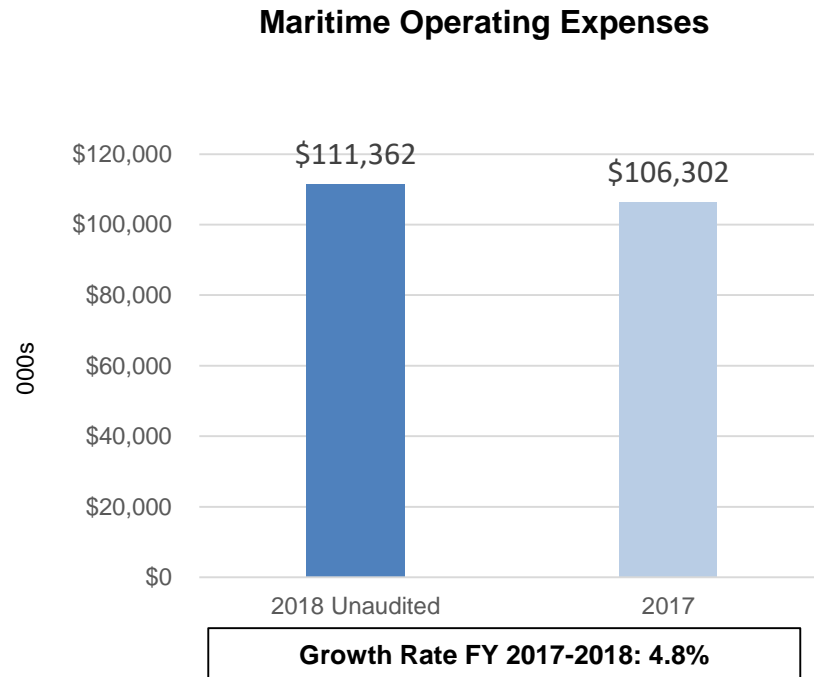
Maritime revenues of \$159.5 million increased 5.3% or \$8.1 million, driven by growth in over-MAG, space assignment, utility and ancillary revenues.



(1) Includes bunkering fuel and other terminal rentals.

(2) Includes non-terminal revenue and delinquency charges, offset by bad debt.

Maritime operating expenses increased \$5.1 million or 4.8% in FY 2018.

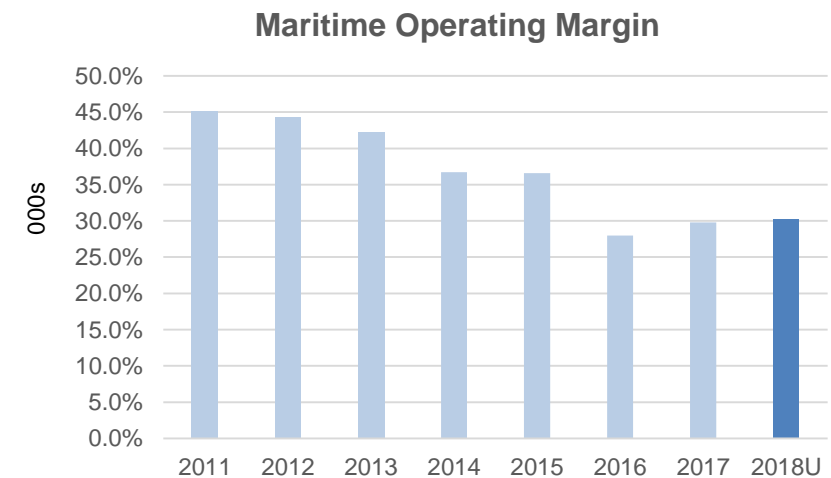
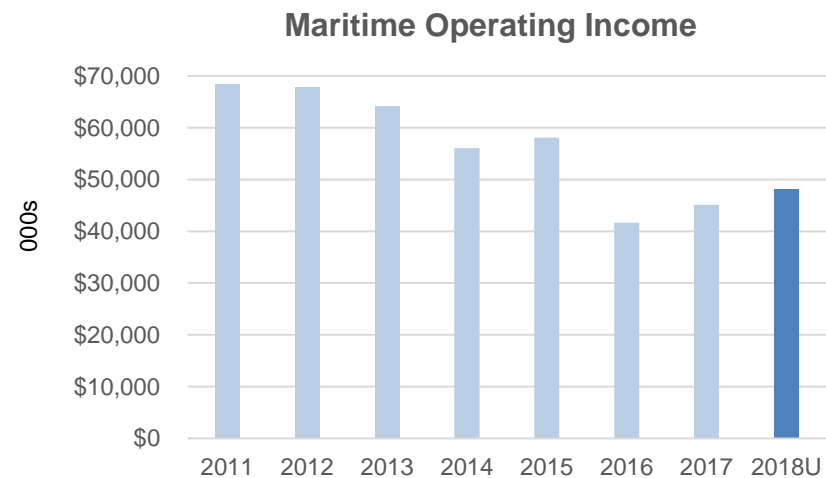
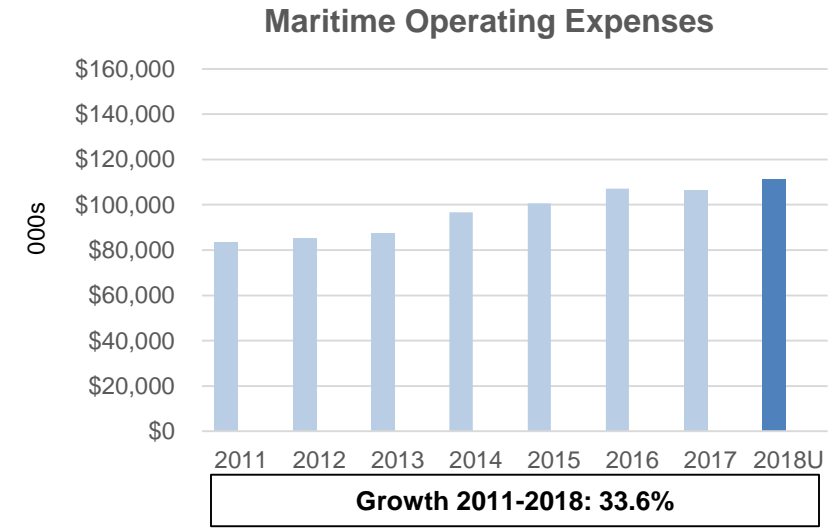
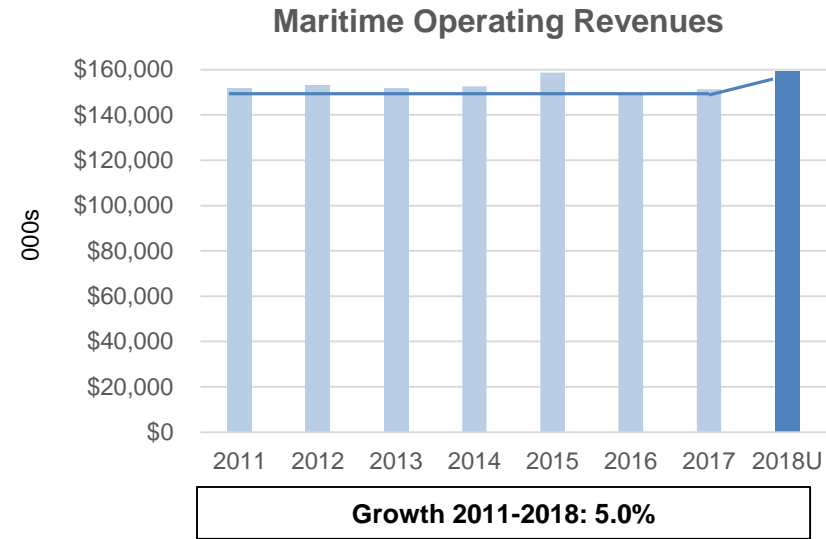


- ❖ Operating expenses are the day-to-day costs of running the Seaport, including the amortized cost of necessary infrastructure such as wharves, cranes (expressed as depreciation), incurred to generate the revenues.

#### Significant Changes

- ❑ Approximately 26% or 128 FTEs are utilized to operate Maritime; personnel costs increased approximately \$3.0 million
- ❑ Maintenance dredging increased \$1.1 million due to higher cost disposal sites
- ❑ Planning and assessment studies related to engineering, environmental and utilities increased \$1.0 million
- ❑ Depreciation increased \$0.9 million reflecting the completion of several large capital assets (crane raising, OHIT railyard (full year) and security system upgrades)
- ❑ Major maintenance decreased \$1.2 million due to prioritization of resources
- ❑ Pollution remediation decreased \$0.7 million

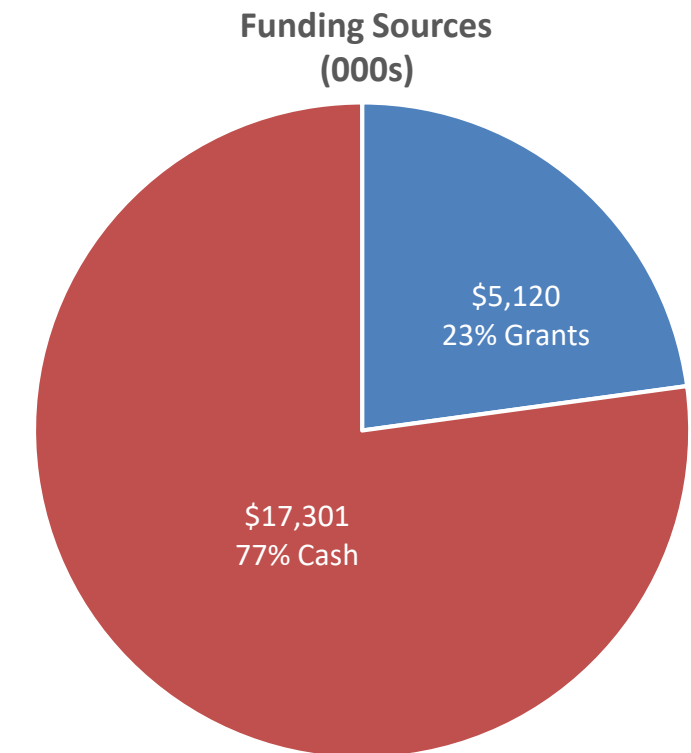
After 6 years of flat revenues and rising costs, Maritime's operating margin improved slightly in FY 2018 reflecting revenue growth outpacing expense growth.





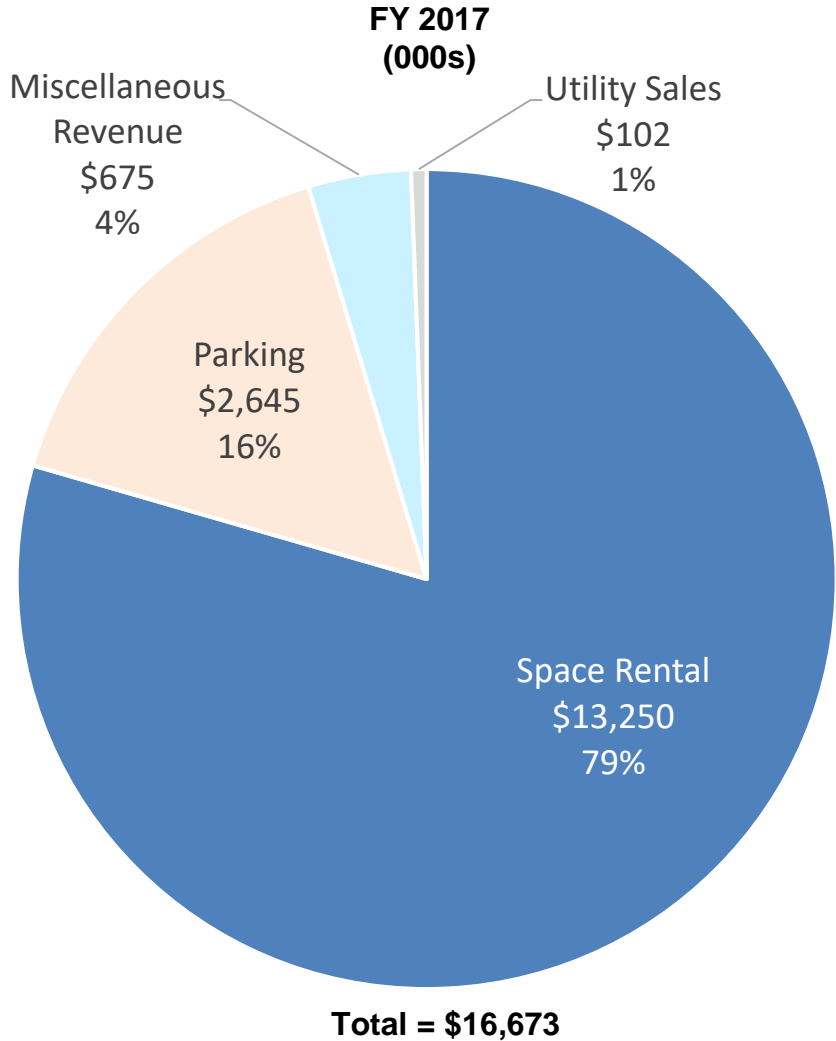
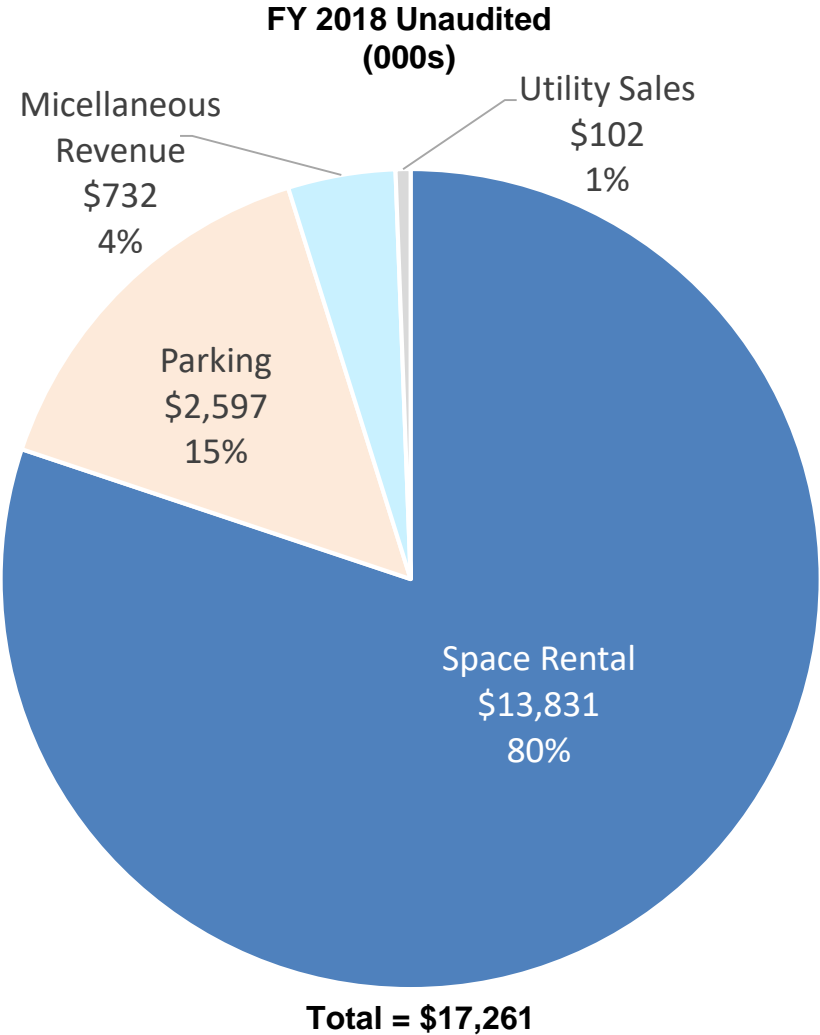
## FY 2018 Capital Expenditures – Maritime

Project	FY 2018 Expenditures Unaudited (000s)	Status
Crane Raising and Management System	\$8,537	Substantially Complete
OHIT Railyard Phase 2 at Seaport Logistics Center – Interim Use	4,670	In Progress
Rail Infrastructure at Maritime Support Center	4,537	Substantially Complete
Berth 25/26 Wharf & Related Improvements	1,323	In Progress
Other Projects (Multiple Projects less than \$1 million)	3,354	N/A
<b>Total</b>	<b>\$ 22,421</b>	



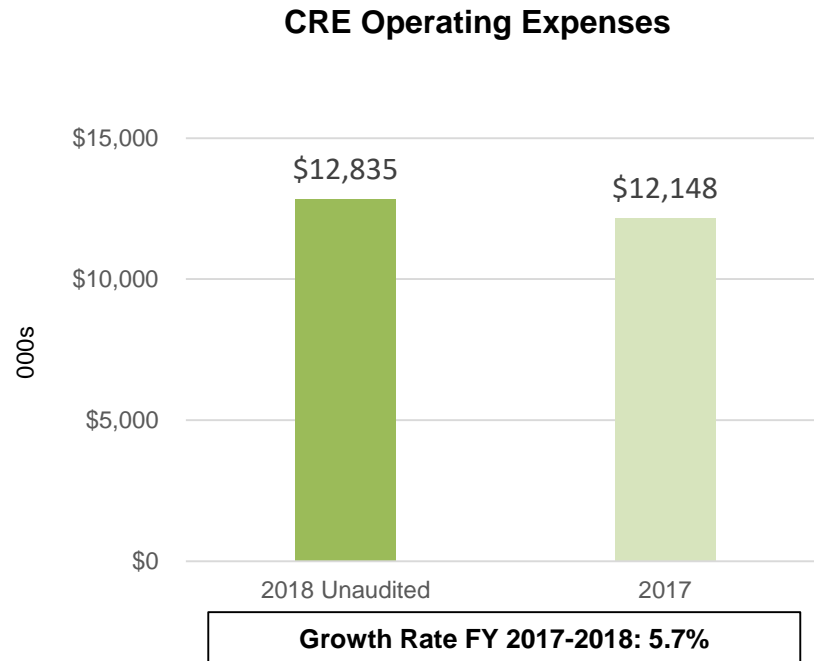
❑ Raising of 3 cranes at OICT was substantially completed in FY 2018.

CRE revenues of \$17.3 million increased 3.5% or \$600 thousand, and continue to provide a stable source of revenues.



□ Approximately 50% of the revenues are generated by properties located in the Jack London Square Area.

CRE operating expenses increased \$690 thousand or 5.7% in FY 2018.

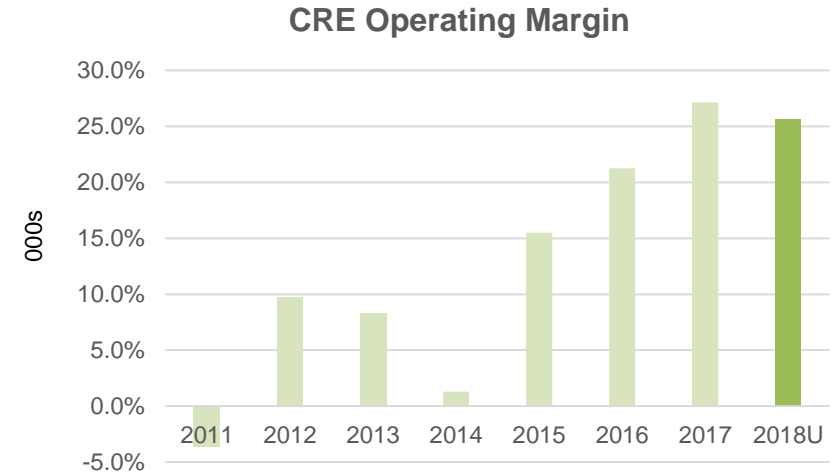
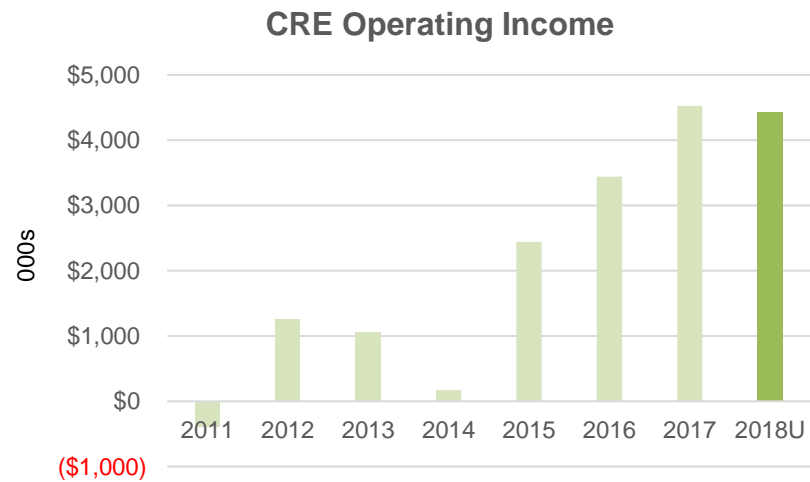
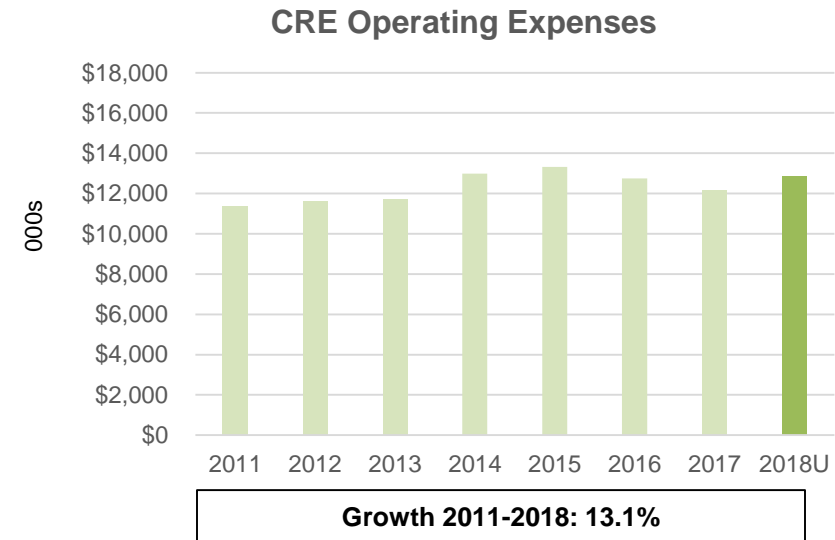
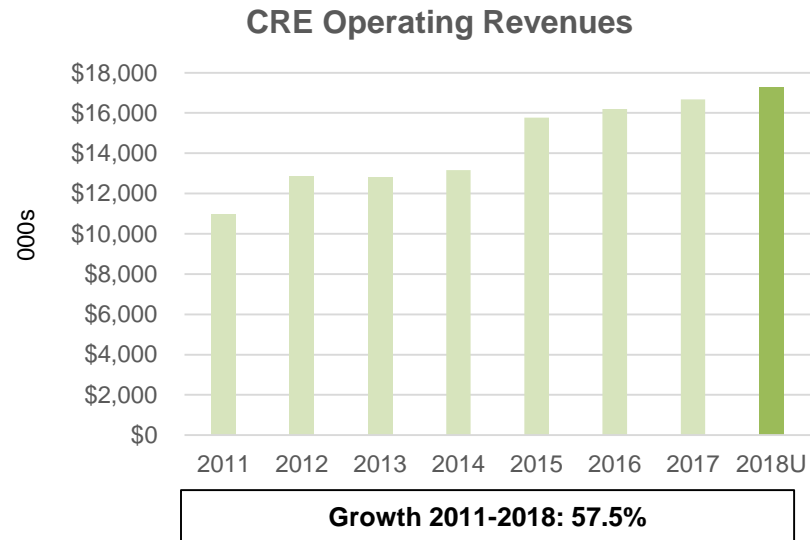


**Significant Changes**

- ❑ Approximately 4% or 21 FTEs are utilized to operate CRE; personnel costs increased approximately \$490 thousand
- ❑ Additional maintenance and repairs at 530 Water Street totaled \$95 thousand

- ❖ Operating expenses are the day-to-day costs of running CRE, including the amortized cost of necessary infrastructure such as parking infrastructure (expressed as depreciation), incurred to generate the revenues.

# CRE financial performance has improved since 2011.



## Summary of FY 2018 Financial Result

- ✓ Liquidity and debt service coverage solid
- ✓ Significant airfield and Airport terminal capital investments enabled by AIP grants and PFCs
- ✓ Raising of 3 cranes substantially complete at the Seaport
- ✓ Passenger traffic up 6.1% (43% higher than FY 2011 levels). Aviation revenues up 7.2%, operating expenses up 9.5%
  - Given airline rates and charges methodology, focus on improving non-airline revenues so that reinvestment into assets, not eligible for grants, PFCs and CFCs, can be made
- ✓ Container traffic up 2% (3% higher than FY 2011 levels). Maritime revenues up 5.3%, operating expenses up 4.8% (after 6 years of 0% revenue growth during which expenses increased 28%)
  - With stabilization of terminal tenants, focus on improving operating margins so that reinvestment into assets can be better made
- ✓ CRE revenues up 3.5%, operating expenses up 5.7%
- ✓ Pension costs rose significantly, reflecting higher pension liability resulting from updated assumptions on investment returns and mortality
- ✓ Port-wide net operating income of \$63.4 million is \$0.2 million or 0.4% lower than FY 2017