



PORT OF OAKLAND

Port of Oakland Financial Highlights Fiscal Year 2017

City of Oakland

Finance & Management Committee

February 28, 2017

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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
- FY 16 revenues = \$16M



Oakland Seaport

- 2.3 million TEUs (boxes)
- 5 marine terminals
- 27 international shipping lines
- 6th largest seaport in US
- FY 16 revenues = \$149M



- ❑ The Port budget includes 502 employees.
- ❑ Together with its business partners, the Port supports more than 73,000 jobs in the region and nearly 827,000 jobs across the US.

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.

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 International Arrivals Building renovation, expanded rail yard, temperature-controlled facility, logistics facility, Trapac terminal expansion

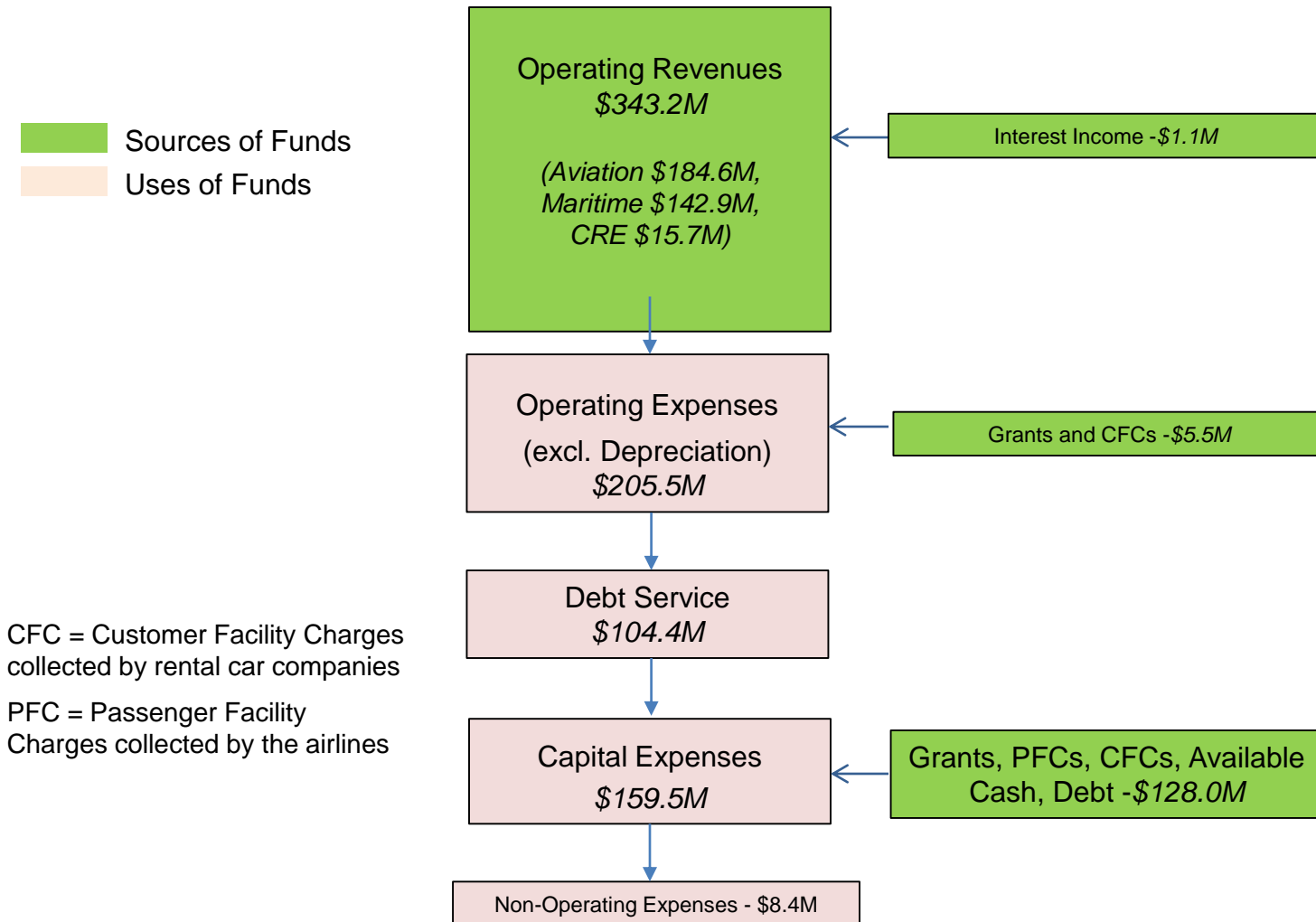
Challenges

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

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

Port operations earned \$338M in FY 2016 and budgeted to earn \$343M in FY 2017; supplemented by grants, PFCs and CFCs.

FY 2017 Budget



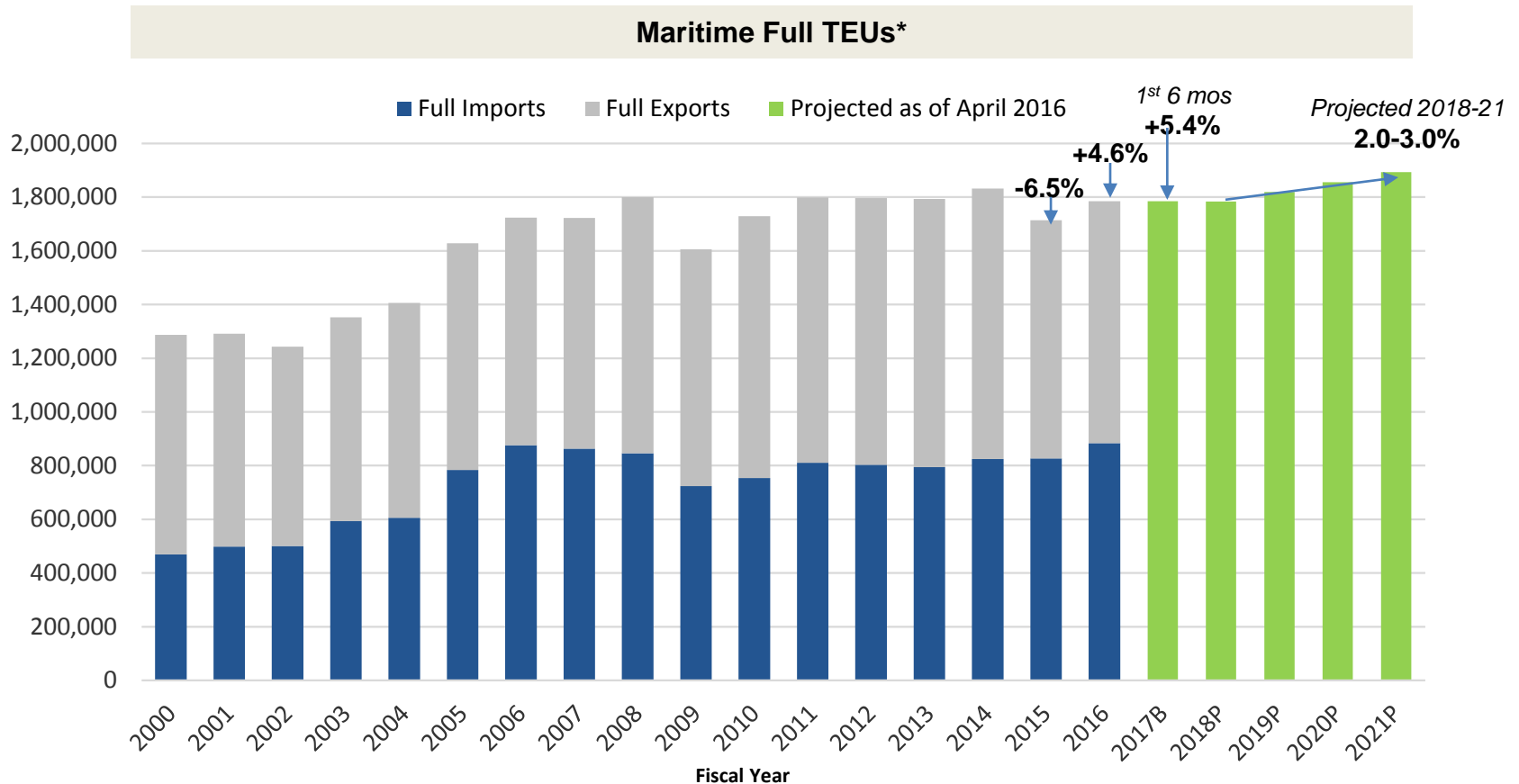
While the number of airport passengers is not directly correlated to Port revenues, they are an important indicator of airport health.



Average Annual Growth Rate FY 2000 – 2016 = 0.8%

- ❑ The Airport has experienced 37 consecutive months of growth, with annual passengers growing from 9 to 12 million since 2011.

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



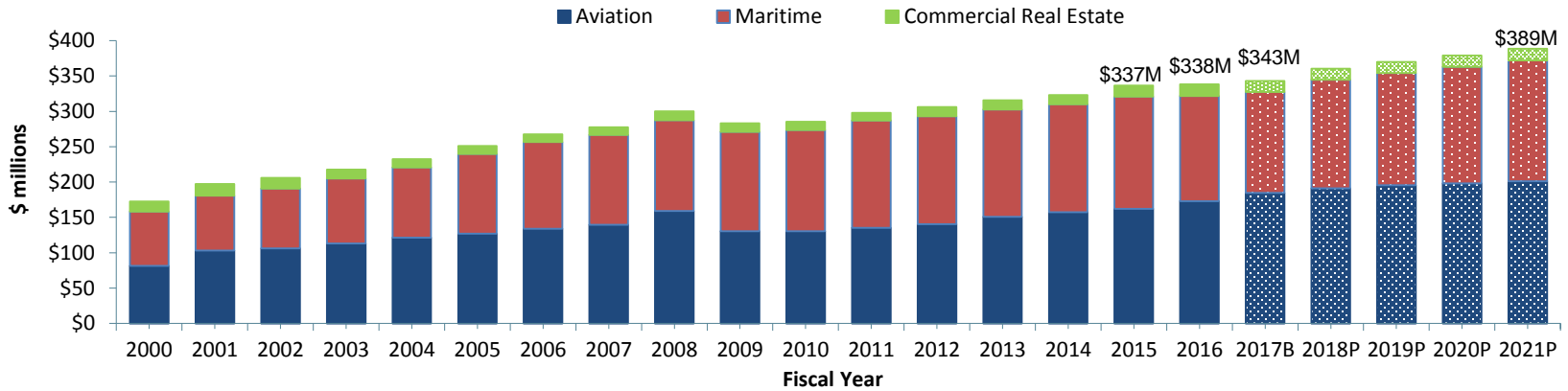
Average Annual Growth Rate FY 2000 – 2016 = 2.1%

- ❑ Full TEUs increased 4.6% in FY 2016 and are up 5.4% for the first 6 months of FY 2017.

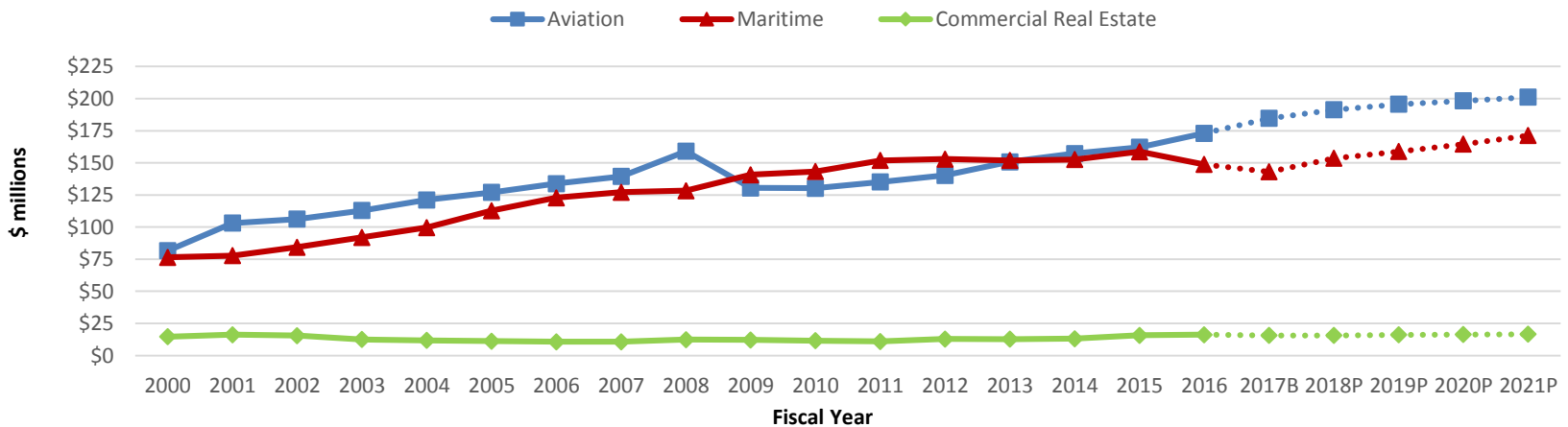
* TEUs, or Twenty-Foot Equivalents, is the standard measurement of shipping containers.

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

Operating Revenues by Division

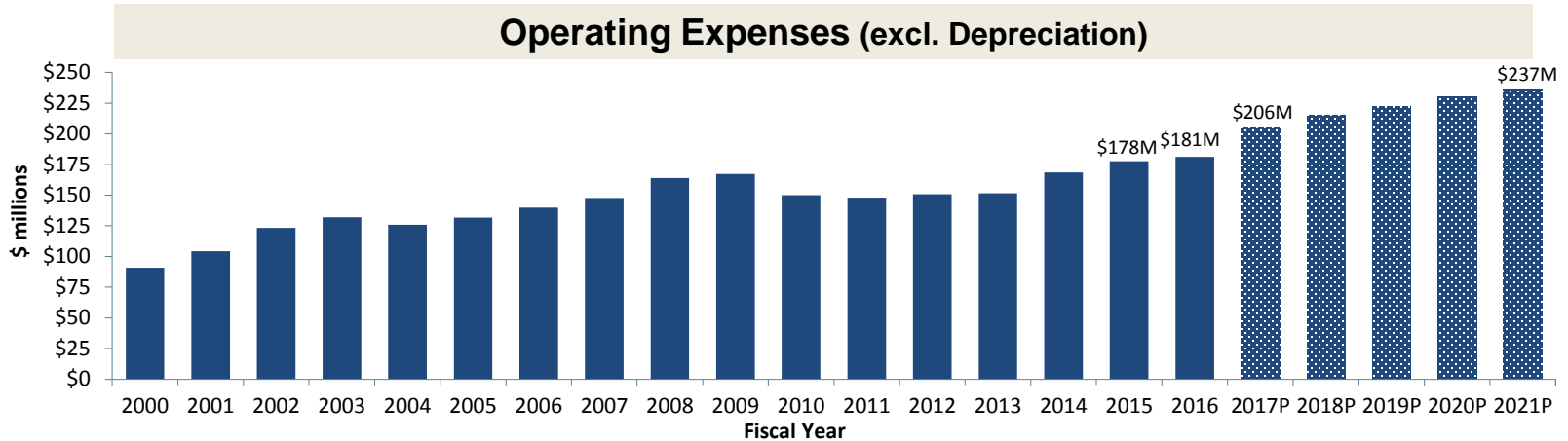


Operating Revenues by Division



Average Annual Growth Rate FY 2000 – 2016 = 4.3%

Personnel costs comprise 52% of the Port's FY 2017 operating expenses.



Average Annual Growth Rate FY 2000 – 2016 = 4.4%

Operating Budget Breakdown	FY 2017 Budget
Personnel Costs	\$106.8M
Police, Fire & Other Security Contractual Services	28.4
Administrative Items, Supplies & Services	19.9
Repairs and Maintenance Supplies, Equipment & Services	19.6
Parking, Rental Car, Ground Transp. Contractual Services	19.4
Utilities, Insurance, Environmental Remediation	12.4
Utility Cost of Sales	7.7
Labor & Overhead to Capital Expenses*	(8.7)
Total Operating Expenses (excl. Depreciation)	\$205.5M

Includes items such as computer systems and software, telephone systems, outside legal counsel, dues & registration, external auditor and other consultants

Includes items such as maintenance dredging, disposal services, JLS common area maintenance, equipment-crane-runway-property maintenance and repair

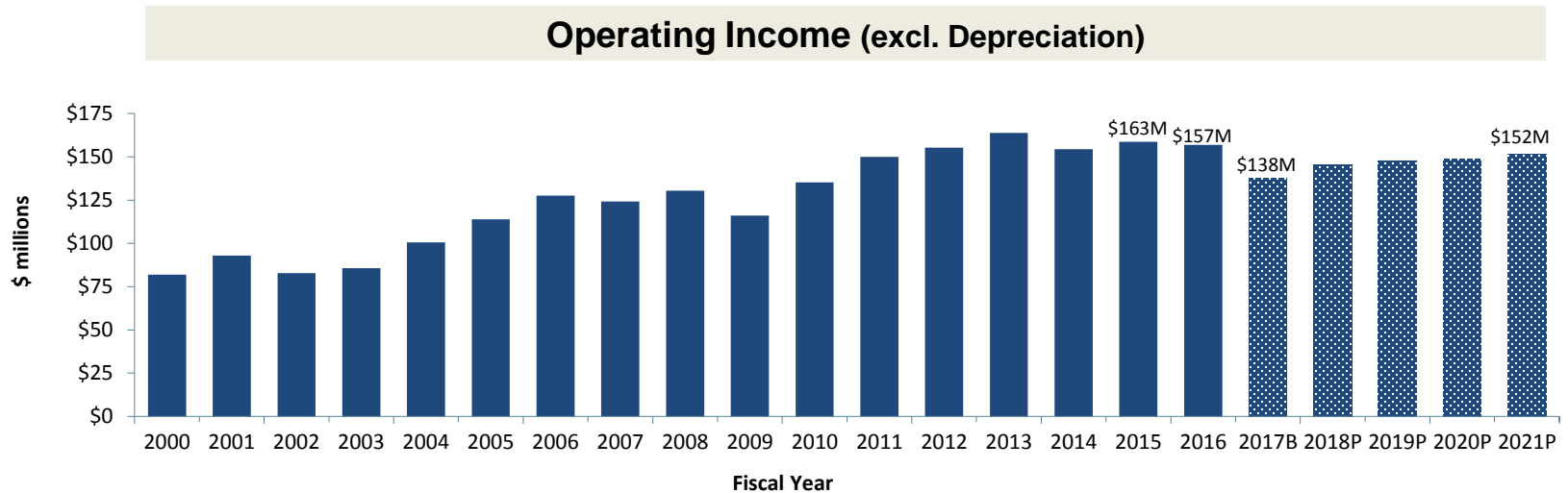
* Primarily engineering staff costs and associated overhead that is included as part of capital expenses, pursuant to accounting rules.

Personnel costs comprise 52% of the Port's FY 2017 operating expenses.

Port Personnel by Division		FTEs	Personnel Cost FY 2017 Budget
<i>Division heads report to the Executive Director</i>	Aviation	254	\$43.9M
	Maritime	23	5.1
	Commercial Real Estate	8	1.5
	Engineering and Environmental	114	23.4
	Finance and Administration	61	11.7
	Executive Director's Office (incl. Gov't Affairs, Communications and Social Responsibility)	19	4.3
<i>Division heads report to the Board</i>	Port Attorney's Office	14	3.6
	Internal Audit Office	7	1.4
	Board Office	2	0.4
	Non-Departmental*	na	11.4
Total Personnel Costs		502	\$106.8M

* Non-Departmental personnel costs include retiree medical expenses, worker's compensation, vacation and sick leave accruals, unemployment insurance and vacancy factor.

Over the past several years, operating income has been pressured with revenue increases offset by expense increases.

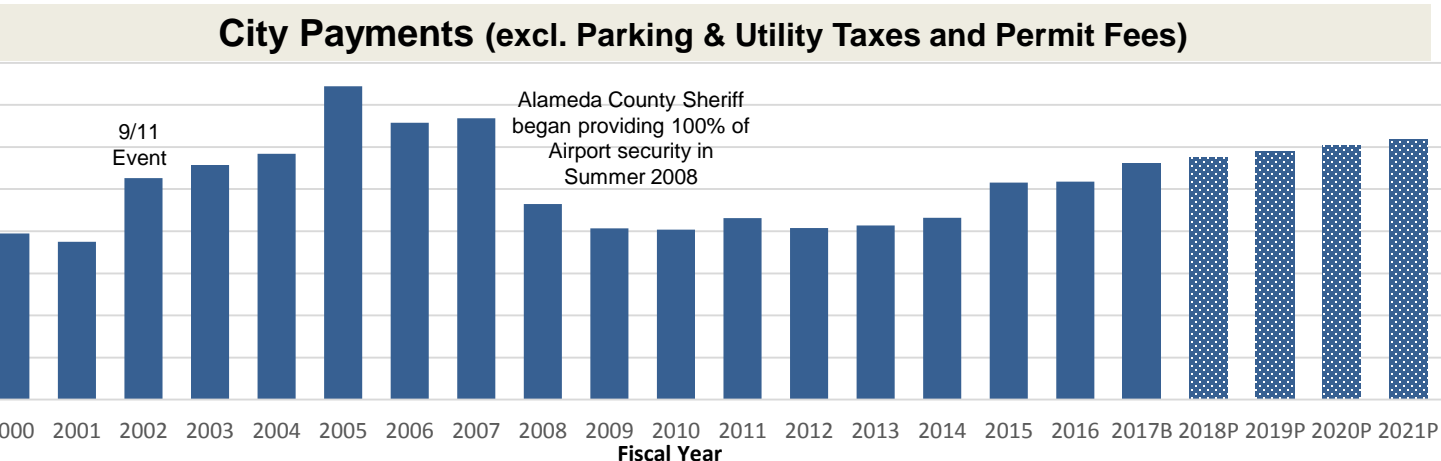


- Operating income (excl. depreciation) is roughly the amount available to pay for debt service and capital expenses.
- Operating income (excl. depreciation) declined by \$6M in FY 2016 and budgeted to decline another \$19M in FY 2017 due to impact of closure of major marine terminal; however, FY 2017 year-to-date financial results are ahead of budget and operating income is trending higher.

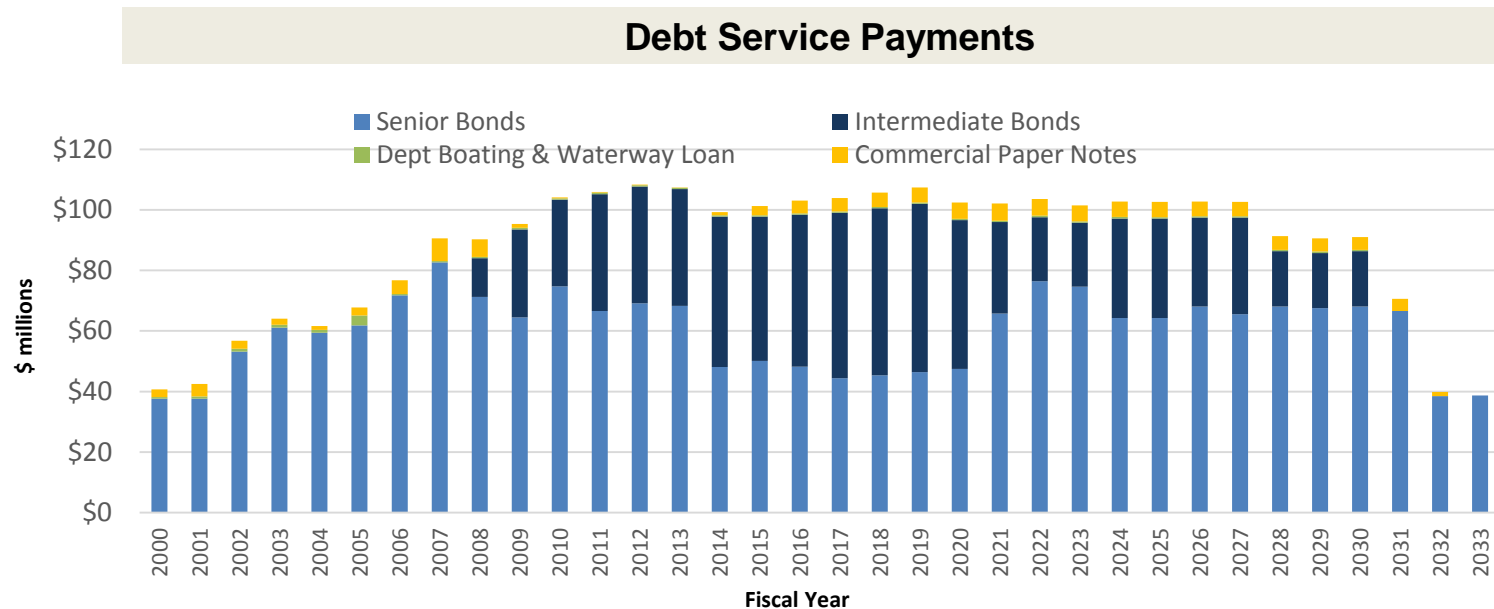
The following City services are budgeted each year.

City Services	FY 2017 Budget (\$000s)
Aircraft Rescue and Fire Fighting Services	\$6,500
General Services	1,256
Lake Merritt Maintenance	1,118
Maritime, Jack London Square, Contingent Police Services	896
Landscape Lighting Assessment District	700
Treasury Services	301
Personnel, City Clerk, KTOP Services	261
Edgewater Median Maintenance*	60
Fireboat/OPD Patrol Boat Maintenance	41
Total City Services	\$11,133
Jack London Improvement District (JLID)	113
Parking and Utility Taxes, Permit Fees	8,636
Total City Services incl. Taxes & Fees	\$19,882

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

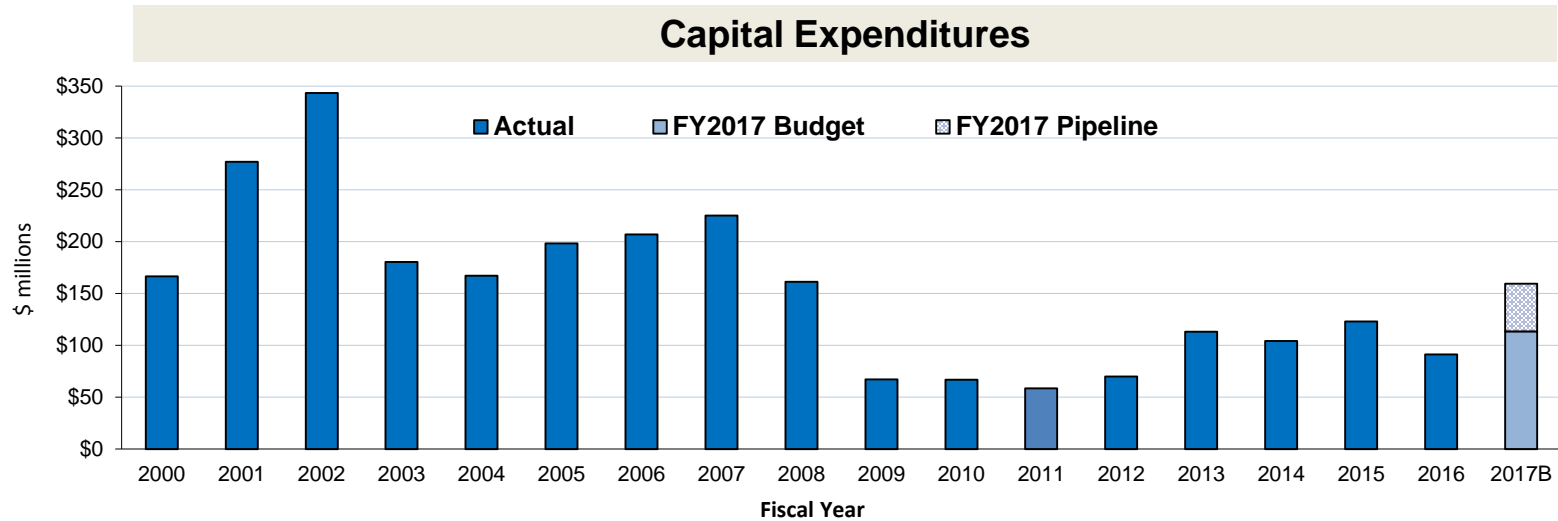


The Port has approximately \$1.1 billion of debt outstanding and annual debt service payment of more than \$100 million.



- ❑ In the early 2000s, the Port incurred significant amount of debt to pay for major capital improvements, primarily at the seaport.
- ❑ Over the last several years, the Port has reduced its aggregate debt service payments by \$210M through refundings and defeasances.

In recent years, the Port has spent around \$100 million each year on various capital projects.

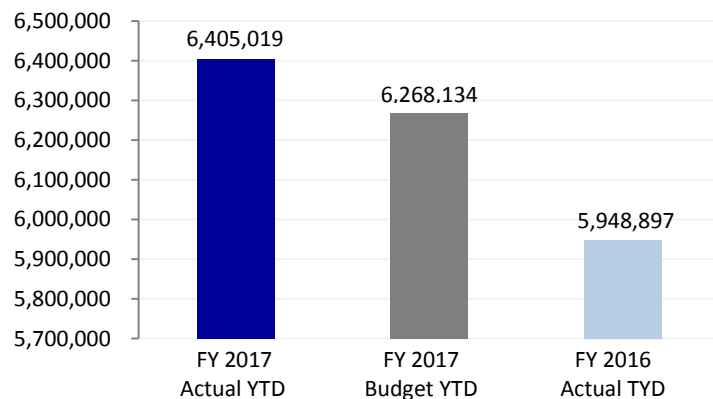


Major Capital Projects In Progress	Est. Costs	Est. Completion
Terminal 1 Renovations (Building M102)	\$90M	Summer 2017
International Arrivals Building Renovations	45M	November 2017
Runway Rehabilitation	57M	Fall 2017 / Spring 2018
Trapac Terminal Expansion & Improvements	50M	Summer 2017
Temperature Controlled Logistics Facility	90M	Summer 2018
Logistics Facility	50M	2018/2019

- Since 2009, grants, Passenger Facility Charges, Customer Facility Charges and private developers pay for approximately 70-80% of the project costs.

For the first 6 months of FY 2017, Port performance has exceeded both budget and last year's performance.

Airport Passengers

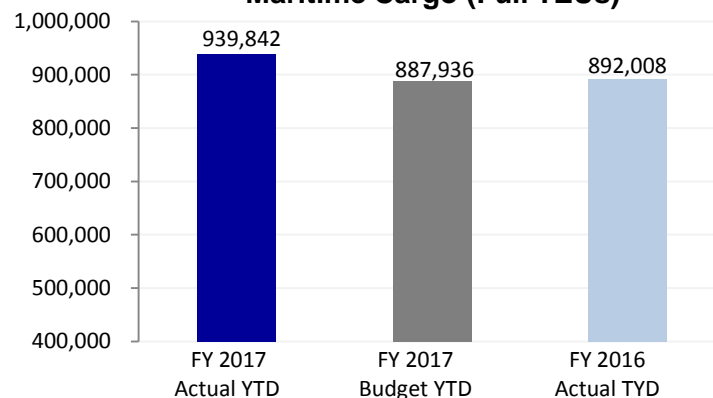


Comparison to Budget YTD 2.2%
Comparison to Prior YTD 7.7%

Operating Revenues (\$millions)

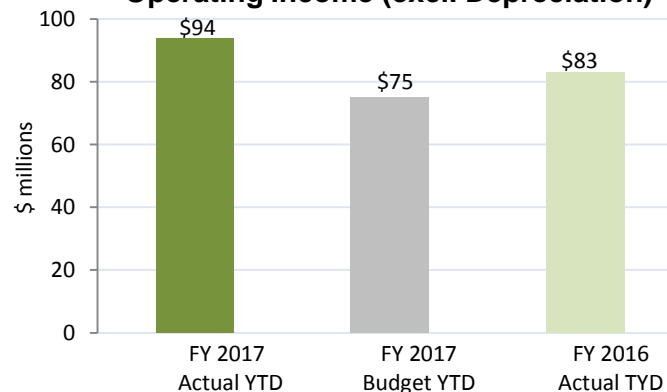
	Unaudited 6 Months Ended Dec 2016	6 Months Ended Dec 2016 Budget Better/(Worse)		6 Months Ended Dec 2015 Actual Better/(Worse)	
Aviation	\$94	\$2	2.4%	\$9	10.1%
Maritime	85	8	10.9%	5	5.9%
CRE	9	1	6.5%	0	1.8%
Total	\$188	\$11	6.3%	\$14	7.7%

Maritime Cargo (Full TEUs)



Comparison to Budget YTD 5.9%
Comparison to Prior YTD 5.4%

Operating Income (excl. Depreciation)



Comparison to Budget YTD 25.2%
Comparison to Prior YTD 13.3%

Attachment A:
Executive Summary
FY 2017 Port Adopted Budget

The Port's FY 2017 Budget Summary and FY 2016 Comprehensive Annual Financial Report can be found on the Port's website at: <http://www.portofoakland.com/financial-information/>