



PORT OF OAKLAND

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To: Oakland City Council Finance Committee

From: Jean Banker, Deputy Executive Director, Port of Oakland
Sara Lee, Chief Financial Officer, Port of Oakland

Date: October 10, 2012

Re: Informational Report on the Port of Oakland Budget

The Port of Oakland is pleased to submit this informational report in response to Councilmember Nadei's request for information on the Port's finances and budget. For questions regarding this report, please contact Matt Davis, Government Affairs Manager, at 627-1430.

Respectfully submitted,



Jean Banker,
Deputy Executive Director



Sara Lee,
Chief Financial Officer

Item # 10
Finance Comm.
October 23, 2012



Overview of Port Finances & Fiscal Year 2013 Budget

Presentation to Oakland City Council
Finance & Management Committee
October 23, 2012

The summary budget 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. 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 summary budget and financial information.

Overview

- The Port's financial condition remains challenging
 - Modest growth in business activity
 - Competitive business pressures and general economic uncertainty
 - Major lease renewals in next five years representing 34% of Port revenues
 - \$1.3 billion of outstanding debt
 - About \$850 million of other liabilities and needs to be addressed
 - Escalating pension, health care, security, and regulatory costs
- Port's approach to budgeting and financial management centers on:
 - Close monitoring of expenditures
 - Revenue maintenance and enhancement
 - Careful prioritization in light of resource limitations
 - Plan for the longer term (relationship of next 12 months to future years)
 - Maintain & improve financial position

Business Activity Drives Revenue

Growth in Activity Levels (compared to prior fiscal year)

| | Actual FY11 | Actual FY12 * | Budget FY13 | Projected FY14 | Projected FY15 |
|--|----------------|------------------|----------------|-------------------|-------------------|
| Enplanements Aviation | -1.9% | 2.9% | 1.5% | 2.0% | 2.0% |
| Loaded (full) TEUs Maritime | 5.1% | 0.4% | 0.0% | 2.5% | 2.5% |

* Subject to final review

TEU = Twenty-foot equivalent unit (one container is approximately 2 TEUs)

Operating Income Results & Projections

| (\$000s) | Actual FY11 | Unaudited FY12 | Budget FY13 | Projected FY14 | Projected FY15 |
|---|----------------|-------------------|----------------|-------------------|-------------------|
| Operating Revenue | 297,983 | 306,138 | 311,518 | 316,047 | 323,876 |
| % Change from Prior FY | n/a | 2.7% | 1.8% | 1.5% | 2.5% |
| Operating Expense before D&A | 148,002 | 150,778 | 169,237 | 170,706 | 177,199 |
| % Change from Prior FY | n/a | 1.9% | 12.2% | 0.9% | 3.8% |
| Operating Income before D&A | 149,981 | 155,361 | 142,281 | 145,341 | 146,677 |
| % Change from Prior FY | n/a | 3.6% | -8.4% | 2.1% | 0.9% |

D&A = Depreciation and Amortization.

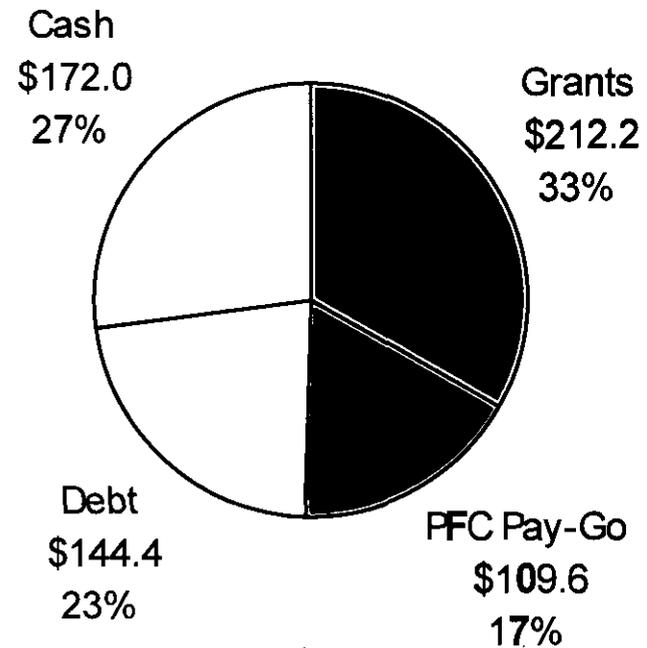
Unaudited results for FY12 are preliminary and subject to year-end adjustments.

5-Year Capital Needs Assessment

FY 2013–17 Expenditure
(\$ millions)

| | 5-Year CNA |
|-----------------|--------------|
| Aviation | 469.3 |
| Maritime | 153.0 |
| CRE | 6.7 |
| Other Divisions | 9.3 |
| Total | 638.2 |

FY 2013–17 Funding
(\$ millions)



Major Projects Included in the CNA

CNA is focused on highest priority items:

- Regulatory compliance
- Life & safety
- Revenue maintenance

| | FY 2013–17 Total Expenditure (\$ millions) |
|-----------------------------|--|
| Aviation | |
| Terminal 1 Renovation | 195 |
| Runway Safety Area | 103 |
| Airport Perimeter Dike | 47 |
| Runway 11-29 Rehabilitation | 25 |
| BART Airport Connector | 24 |
| Total | 394 |
| Maritime | |
| Oakland Army Base | 82 |
| Shore Power | 43 |
| Total | 125 |
| Total | 519 |
| Total as % of 5-Year CNA | 81% |

Sources and Uses of Funds

| (\$000s) | FY 2013 Budget |
|--|----------------|
| Sources of Funds | |
| Operating Revenues | 311,518 |
| Grants | 28,633 |
| Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs) ⁽¹⁾ | 36,963 |
| Cash on Hand | 24,816 |
| Debt Proceeds | 35,058 |
| Other | 449 |
| Total Sources | 437,438 |
| Uses of Funds | |
| Operating Expenses – Personnel | 88,734 |
| Operating Expenses – Non-Personnel | 80,502 |
| Capital Improvements | 142,399 |
| Debt Service ⁽²⁾ | 116,467 |
| Other ⁽³⁾ | 9,336 |
| Total Uses | 437,438 |

(1) Includes PFC and CFG funds on hand.

(2) Includes repayment of \$7.8 million of outstanding commercial paper debt.

(3) Includes items such as letter of credit fees; General Services and Lake Merritt payments; and retroactive CalPERS pension payments.

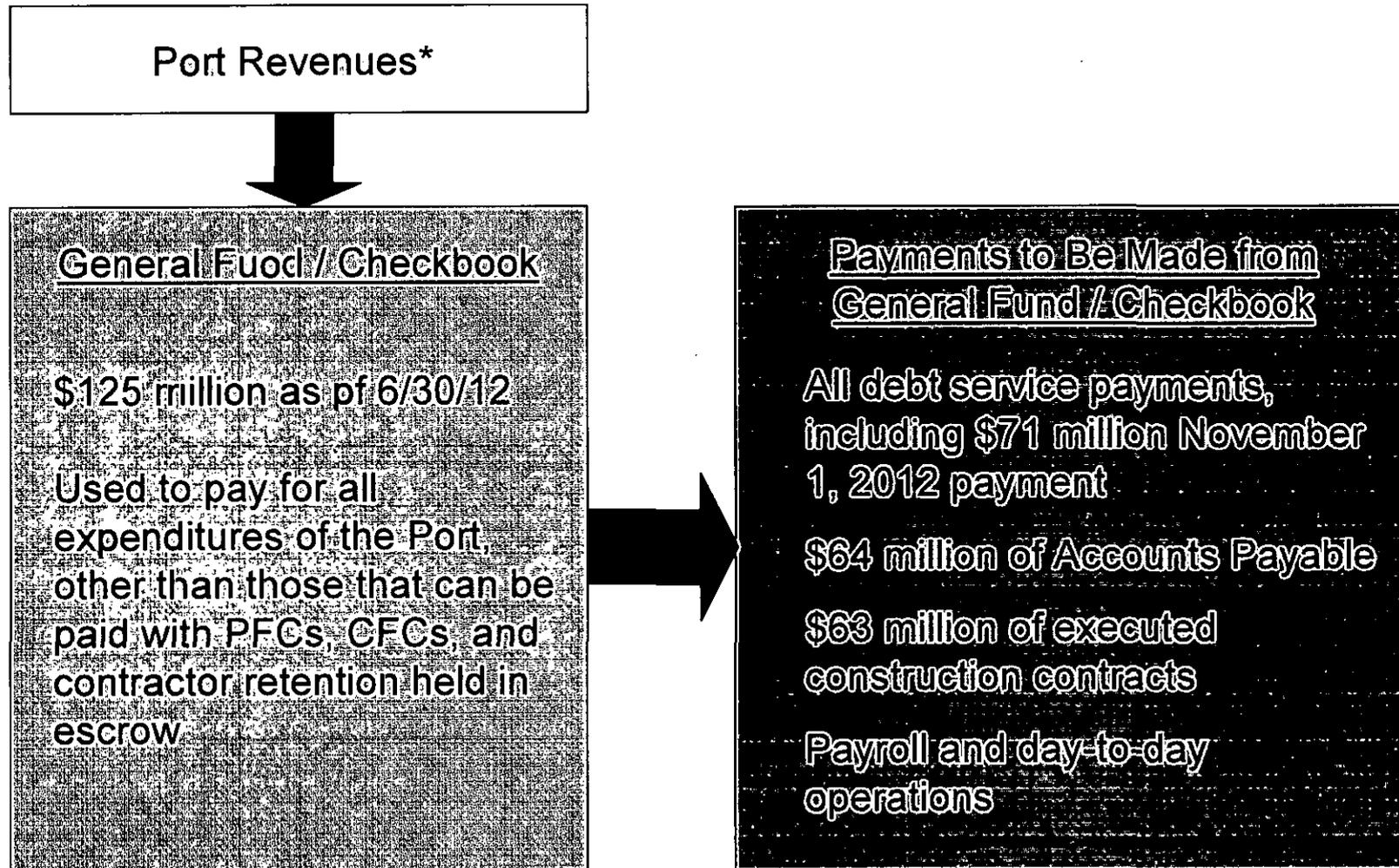
Port Cash Balances

| Fund Balance as of 6/30/12 (unaudited) | Amount (\$ millions) |
|---|-------------------------|
| Unrestricted Cash * | |
| General Fund / "Checkbook" | 125 |
| Board-Established Reserve | 64 |
| Total Unrestricted Cash | 189 |
| Restricted Cash * | |
| Passenger Facility Charges (PFCs) | 15 |
| Customer Facility Charges (CFCs) | 3 |
| Contractor Retention Amounts Held in Escrow | 4 |
| Bond Reserves Held with Bond Trustee | 71 |
| Total Restricted Cash | 92 |
| Total Cash | 281 |

Unaudited results for FY12 are preliminary and subject to year-end adjustments.

* Unrestricted and Restricted are defined by Generally Accepted Accounting Principles (GAAP).

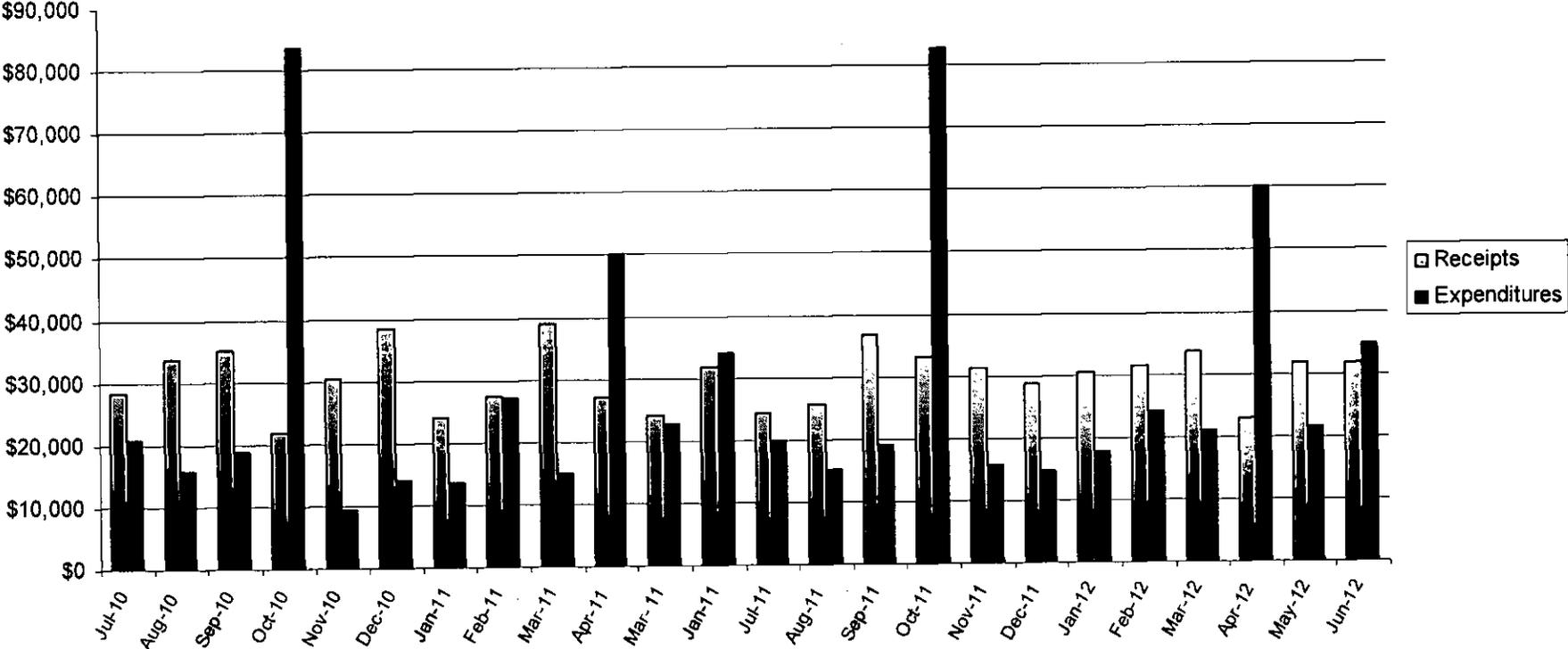
Port's General Fund



* Excludes PFC, CFC, and grant receipts, which are restricted in use

Monthly Cash Receipts & Expenditures

\$ thousands



Liabilities & Other Needs to be Addressed

| | Amount (\$ millions) |
|---------------------------|-------------------------|
| Retiree medical benefits | 110 |
| Pension benefits | 158 |
| Deferred capital projects | 460 |
| Commercial paper debt* | 78 |
| Other | 52 |
| Total | 858 |

* Port has not established a repayment plan for this debt

October 2012 Bond Refunding Update

- Recent bond refunding yielded approximately \$60 million of present value savings
 - Annual savings of approximately \$9 million in FY 2014 through FY 2020
- Reduces burden associated with \$1.3 billion of outstanding debt
- Use savings to:
 - Address \$850 million of other liabilities and needs
 - Respond to rising costs and business challenges
 - Establish a repayment schedule for \$78 million of outstanding commercial paper debt
 - Minimize future borrowings

Payments to City

| Payment Type | FY13 Budget (\$ millions) | Total Paid FY03 through FY12 (\$ millions) |
|--|------------------------------|--|
| General Services and Lake Merritt Maintenance ⁽¹⁾ | 2.0 | 20.2 |
| Special Services | 1.0 | 35.1 ⁽²⁾ |
| Aircraft Reserve Fire Fighting (ARFF) | 5.0 | 55.3 |
| Treasury Management | 0.2 | 2.4 |
| Landscaping & Lighting Assessment District (LLAD) | 0.7 | 6.8 |
| Parking Tax | 5.1 | 49.4 ⁽³⁾ |
| Total | 14.0 | 169.2 |

(1) Payments are made pursuant to a Memoranda of Understanding between the Port and the City, as well as Section 717(3) of the Charter of the City of Oakland, which sets forth purposes for which Port funds may be used.

(2) Reflects payments for years in which Oakland Police Department provided Airport security services, which are now provided by Alameda County Sheriff.

(3) Estimated; Port budgets revenues net of parking tax.