



Comprehensive Annual Financial Report

For the Years Ended June 30, 2018 and 2017



PORT OF OAKLAND

Oakland, California

(A Component Unit of the City of Oakland)

Port of Oakland
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(A Component Unit of the City of Oakland)

Comprehensive Annual Financial Report
For the Years Ended June 30, 2018 and 2017

Prepared by the Financial Services Division

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PORT OF OAKLAND
(A Component Unit of the City of Oakland)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended June 30, 2018 and 2017

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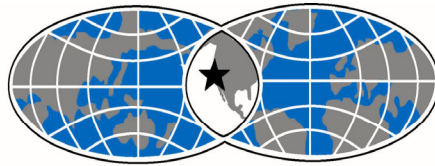
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PORT OF OAKLAND

INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Organization Chart
- Appointed Officials, Management and Contributing Staff

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PORT OF OAKLAND

December 7, 2018

Board of Port Commissioners of the City of Oakland Oakland, California

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Port of Oakland (Port), a component unit of the City of Oakland (City), as of and for the fiscal years ended June 30, 2018 and 2017. All amounts are rounded to the nearest thousand dollars within this report for presentation purposes.

Responsibility for the accuracy of the data, and the completeness and reliability of the information contained in the report rests with management of the Port. The framework of internal controls provides reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The data as presented is believed to be accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and changes in financial position of the Port.

This letter of transmittal is designed to complement the management discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis to the financial statements, and should be read in conjunction with the MD&A.

Certain statements in this letter of transmittal reflect not historical facts but forecasts, projections, estimates and other “forward-looking statements.” The achievement of results, or other expectations, involves known and unknown risks, uncertainties and other factors that may cause actual results to be materially different than forecasted results. The Port is not obligated to issue updates or revisions to this discussion if and when the expectations, events, conditions or circumstances on which these statements are based, occur or fail to occur, as the case may be.

Profile of the Port of Oakland

The Port is an independent department of the City. The City has operated a public harbor to serve waterborne commerce since its incorporation in 1852. The City has operated an airport since 1927. Exclusive control and management of the Port area, which includes the harbor, airport, and other commercial real estate was delegated to a seven-member Board of Port Commissioners (Board) in 1927 by an amendment to the City Charter.

The Board has exclusive control of all of the Port’s facilities and property, real and personal, all income and revenues of the Port, and proceeds of all bond sales initiated by it for harbor, airport, and other commercial real estate improvements, or for any other purpose. The Board has the power under the Charter to fix, alter, change or modify the rates, tolls, fees, rentals and other charges for the use of the Port’s facilities and any services provided in connection with the Port’s facilities. A substantial portion of the Port’s revenues are governed by lease, use, license and other agreements with the tenants and customers of the Port’s three business lines: Aviation, Maritime and Commercial Real Estate. The Port is required by the City Charter to deposit its revenues in the City Treasury.

The Oakland International Airport (Airport) is a passenger, cargo and general aviation airport located on approximately 2,600 acres of land. The Airport is one of three major commercial airports serving the San Francisco Bay Area and the largest cargo hub in Northern California. In 2017, the Airport ranked 36th in the United States in terms of total passengers and 14th in terms of air cargo tonnage. In fiscal year 2018, the Airport served approximately 13.4 million passengers and 1.3 billion pounds of air cargo. In 2018 the Airport averaged 162 passenger departures to 65 domestic and international destinations, as well as an average of 15-30 daily all-cargo flight departures to destinations around the globe.

The Oakland seaport (Seaport) serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of several gateways for such shipments on the West Coast of North America. The Seaport is one of the top ten container ports in the United States, based on the number of twenty-foot equivalent units (TEUs) handled annually. In fiscal year 2018, approximately 2.4 million full and empty TEUs moved through the Seaport. The Seaport comprises approximately 1,300 acres, including marine (container) terminal areas; rail facilities for intermodal and bulk cargo handling; areas for truck staging and other support services; and a portion of the former Oakland Army Base, which the Port is developing into a trade and logistics center. These facilities are backed by a network of roads and a deep water navigation channel. All major ocean carriers serve the Seaport, which connect the Bay Area with the major trading centers of global commerce around the world.

In addition, the Port oversees approximately 837 acres of land along the Oakland Estuary that is not used for maritime or aviation purposes. The commercial real estate properties on this land serve a number of uses including warehouses, parking lots, hotels, offices, shops, restaurants, public parks and open space.

Most of the Airport, Seaport, and commercial real estate properties are located on land that is owned by the City and, under the City Charter, controlled and managed by the Port subject to a trust imposed pursuant to numerous tideland grants from the State of California dating back as far as 1852. Certain requirements and restrictions are imposed by the tideland grants. Generally, the use of lands subject to the trust is limited to statewide public purposes, including commerce, navigation, fisheries, and other recognized uses. The trust also places certain limitations on the use of funds generated from trust lands and other assets.

Fiscal Year 2018 Financial Results

The Port's financial condition remained stable in fiscal year 2018. The Airport continued to experience significant passenger growth and reached 13.4 million passengers in fiscal year 2018, an increase of 6.1% from fiscal year 2017. At the Seaport, activity increased 2.0% and reached 2.4 million TEUs. Operating revenues increased \$22.3 million or 6.2%, in fiscal year 2018 to \$381.0 million. The increase in revenue was driven by increases in terminal rental and landing fee rates and increases in passenger traffic at the Airport, as well as an increase in cargo activity at two marine terminals that generated additional variable rent and scheduled rent adjustments at the Seaport. Revenue growth was entirely offset by an increase in operating expenses of \$22.5 million or 7.6%, bringing total operating expenses to \$317.6 million in fiscal year 2018, with personnel costs, pollution remediation, and customs and security costs driving this increase. Operating income decreased \$0.2 million to \$63.4 million in fiscal year 2018. The fiscal year 2018 financial results are discussed in further detail in the MD&A.

Operating and Capital Budgets

The Port's operating budget is an essential component of the Port's financial and operational planning and management. The operating budget serves as a plan for each division's operating revenues and expenses and for Port-wide non-operating income and expenses. Operating budgets are prepared and presented annually to the Board. For fiscal year 2019, Port staff prepared a five-year operating forecast. The first year of the operating forecast is presented to the Board for adoption as the Port's operating budget, while the additional four years are presented in concept only.

In addition to preparing the operating budget, Port staff annually prepares a five-year capital improvement plan (CIP) and a one-year capital budget. The one-year capital budget is presented to the Board for adoption, while the five-year CIP is presented in concept only.

The approved fiscal year 2019 operating and capital budgets, and five-year operating forecast and CIP, are available on the Port's website at, www.portoakland.com/about/investors.aspx and discussed at a high level under Economic Outlook and Financial Planning.

Economic Outlook and Financial Planning

The Port is located in the San Francisco Bay Area, a sizeable and generally affluent metropolitan area whose economy is intricately linked with global trade. Home to the world's technology leaders and a hub for higher education, the San Francisco Bay Area both shapes and is shaped by the global economy. The Port serves as a conduit for the area's global trade with an Airport closest to the majority of the San Francisco Bay Area population, and a Seaport that offers shorter transit times to Asia than other West Coast ports and serves as the primary gateway for California's premium agricultural goods. This favorable geographic position provides strong local markets that support both demand and resiliency for the use of Airport, Seaport and commercial real estate properties.

In fiscal year 2019, the Port budgeted total operating revenues of approximately \$384.4 million, a 0.9% increase from \$381.0 million in fiscal year 2018. Revenue projections for 2019 reflect continued growth at the Airport and stabilizing revenue for Maritime. The Port projects operating revenues to increase to \$429.7 million by the end of fiscal year 2023, for a forecasted compound annual growth rate of 2.8% based on many factors and assumptions including, but not limited to: passenger and TEU growth rates, changes in Airline rates and charges, Maritime tariff increases, and lease revenues based on existing and anticipated lease terms.

Operating expenses before depreciation are budgeted at approximately \$235.2 million for fiscal year 2019, a 14.4% increase from \$205.5 million in fiscal year 2018. The increase in costs are driven in part by anticipated increases in personnel costs, which represent 50% of the operating expense budget, and increases in passenger-driven costs at the Airport. The Port is anticipating operating expenses before depreciation to increase to \$265.6 million by fiscal year 2023, for a forecasted compound annual growth rate of 3.1% driven by increases in personnel costs. The Port's pension contribution rates, including employer unfunded liability contributions, are projected to increase from 34.9% in fiscal year 2019 to 47.8% of covered payroll in fiscal year 2023 based on CalPERS' most recent actuarial study forecast. The significant increase in required pension funding has been included in the Port's operating forecast, but will not be reflected in future actual operating expenses due to the implementation of GASB issued Statement No. 68, *Accounting and Financial Report for Pensions* (GASB 68) during fiscal year 2015, which separates the contributions (cash flow) from the recognition of expense in the financial statements. Prior to GASB 68, expense recognition matched required plan contributions and did not represent the cost of benefits earned over the period.

On June 28, 2018 a five-year (fiscal year 2019-2023) CIP in the amount of \$498.9 million was presented to the Board for informational purposes. The current five-year CIP does not include significant capacity expansion projects and thus will generally not generate significant new revenues. Capital improvements included in the five-year CIP are primarily focused on regulatory compliance, life and safety-related improvements, and revenue maintenance. Furthermore, staffing and funding constraints limit the amount of capital projects that can be completed at any one time.

For fiscal year 2019, the Board authorized an initial budget of \$34.7 million in capital expenditures. This amount is related to projects that have already been reviewed and authorized by the Board, or projects that are no more than \$250,000 and within the Executive Director's spending authority, as well as limited amounts for pre-development work to scope potential projects, and miscellaneous facilities replacement projects. Miscellaneous facilities replacement projects are generally defined as smaller scope projects or needs that may arise during the course of the fiscal year that are unforeseen or difficult to predict with

certainty. Over the course of the fiscal year, an additional \$92.7 million of pipeline projects is anticipated to be authorized by the Board, after the pre-development work is concluded. Approximately \$18.7 million of the capital expenditures are expected to be funded with various Aviation and Maritime grants, \$16.8 million is expected to be funded with Passenger Facility Charges (PFC) and Customer Facility Charges, and the remaining is anticipated to be funded with cash on hand and cash generated from future operations. A description of the major capital projects is provided under Major Initiatives.

The Port's senior management and staff will continue to assess financial and operational measures in the context of projected business activity levels, and will continue to pursue additional revenue enhancement and cost-savings initiatives that may be available going forward.

Major Initiatives

The Port continues to work on the major initiatives previously identified which are focused on upgrading the Port's facilities to sustain and accommodate changes in the industry, improve its overall competitiveness, maintain safety, and enhance security. Many of these initiatives span multiple years due to the scope and complexity of these initiatives. Provided below are the most significant projects underway or recently completed for each of the Port's business lines:

Aviation

Airport Perimeter Dike Improvements. The Airport Perimeter Dike (APD) separates the airfield from San Francisco Bay waters. The project includes both flood hazard protection and seismic strengthening, and has been designed to be implemented in phases. The first phase addresses the flood hazard protection. The flood hazard improvements are designed to protect the Airport against flood risk from severe storms and sea-level rise. The proposed APD improvements are intended to meet FEMA levee design standards. The APD project will address the risk of flooding at the South Field from extreme tides, sea level rise, storm surge, and wave runup from the Bay (south) side of the Airport. Subsequent phases will analyze and seek to address the same risks from the San Leandro Bay side to the North Field. Design and environmental review are complete and construction of this first phase is slated to begin in Spring 2019.

Landside Security Cameras. As part of the Airport's continuing effort to increase security and enhance the passenger experience, the Landside Security Cameras project will expand the Airport's video surveillance system at a variety of landside areas. These areas include the rental car facility, public and employee parking areas, and curbsides of the terminal area. Part of the project includes infrastructure upgrades and expansion, and fiber communications with airport operations and law enforcement. The project is in the early phases of design.

Southfield Pavement and Signage Improvements. In fiscal year 2018 several paved areas at the Airport were identified for rehabilitation. The scope of the Southfield pavement improvements include overlays, crack sealing, repair of spalled concrete pavement joints, pavement replacement, and installation and replacement of airfield signage for the identified areas. The project design has been completed and construction is expected to be completed in fiscal year 2019.

TSA Recapitalization of Baggage Screening Equipment. Transportation Security Administration (TSA) Electronic Baggage Screening Program (EBSP) has undertaken a national recapitalization effort because many of the existing checked-bag Explosives Detection Systems (EDS) deployed at airports throughout the country are nearing the end of their projected useful life. The recapitalization effort refers to the replacement of EDS machines, typically with a newer model EDS machine with similar or better throughput and capabilities. The TSA selected OAK as a priority airport to participate in the TSA's program to recapitalize the EDS located within the Checked Baggage Inspection System of Terminal 2. The Port is required to design and construct terminal infrastructure modifications needed for the installation of the new EDS within the baggage screening area. The Port has entered into an Other Transaction Agreement (OTA) that requires the TSA to largely cover design and construction costs. Construction is underway and is expected to be completed in fiscal year 2019.

Maritime

Seaport Logistics Complex. The Oakland Army Base (OAB) – a former military supply depot closed in the 1990s – was transferred to the City of Oakland and the Port between 2003 and 2007. The Port is working to develop its portion of the former OAB into a logistics center (the Seaport Logistics Complex, or Complex) that will include new import cross-dock and export transloading from railcar to container, a new intermodal rail terminal, and related facilities. The development will facilitate the efficient movement of cargo in and out of the Port’s marine terminals, improve intermodal service, and position the Port to secure additional maritime and maritime-related business. Development is being phased to match market demand and funding availability. The first phase of development – construction of new manifest and support rail yards – was completed in 2016. These improvements will provide additional railcar storage capacity for current and future customers at the Seaport Logistics Complex, particularly transload, bulk, and break bulk businesses. In early 2018, the Port signed a lease with Centerpoint-Oakland Development I, LLC, to construct a new approximate 440,000-square foot logistics facility on 27 acres of land adjacent to the new rail yard. Construction began in Fall 2018 and is expected to be completed in 2020. The Port envisions that the remainder of the Complex will be developed primarily by private entities under lease with the Port.

Temperature-Controlled Facilities. In October 2015, the Board approved a 30-year lease, with options to extend up to 66 years, with Cool Port Oakland, LLC, for the development and operation of a new temperature controlled transload facility at the Seaport. The development includes a 283,000 square foot refrigerated cross-dock/storage facility on approximately 25 acres of land in the heart of the Seaport, a new at-grade rail crossing, and approximately 11,000 linear feet of track connecting the facility to the main rail line. The intent of the development is to increase the import and export of perishable food products through Northern California. Operations commenced in November 2018.

Operational Efficiency. With containerized cargo throughput concentrated at four marine terminals since 2016, the Port has worked with its business partners to minimize congestion and increase operational efficiency through several initiatives, all under the umbrella of the Port Efficiency Task Force (PETF). Members of the PETF include all sectors of the supply chain. The PETF is working on several initiatives: extended gate operations (night gates have been in operations since early 2016 at some terminals); real time monitoring of truck wait and turn-times and other operations-related performance monitoring/metrics; marine terminal appointment systems; and, the Oakland Portal, a “one-stop shop” for information about Port operations. The Portal launched in May 2018, and enhancements are on-going.

Marine Terminal Improvements. Over the next 5 years, the Port expects to fund a number of improvements to marine terminals in order to address aging infrastructure and the needs of larger ships. Key projects include crane raising and wharf upgrades for vessels capable of carrying 18,000 TEUs or more.

Roadway Improvements. The Port expects to make several improvements to various roadways and key access points to and within the Seaport, in order to address aging infrastructure and minimize congestion. The Port is partnering with the Alameda County Transportation Commission (ACTC) to design and implement various roadway infrastructure and transportation technology-related improvements, known as the Freight Intelligent Transportation System (FITS) program, to enhance truck flows on arterial streets in and out of the Seaport. Planned improvements include the installation of “smart” traffic signals, enhancement of the Port’s video monitoring system to enhance visibility of traffic conditions, construction of a traffic management center, and installation of message signboards to communicate real-time traffic information. Construction of initial improvements is expected to start in 2019-2020.

Commercial Real Estate

The Port welcomed new tenants, including restaurants and office space, to the Jack London Square area through the partnership between the Port and its developer partner, CIM Group. CIM Group is a nationally recognized, well-respected real estate investment company with substantial experience in developing and operating mixed use complexes in urban areas throughout the United States. CIM Group has secured new land-use entitlement approvals for two new proposed multi-family residential buildings adjacent to JLS on privately owned land, which, once constructed, will enhance and expand the foot traffic and 24-hour vitality of this important asset. CIM Group is also pursuing development of the previously approved hotel on the final remaining vacant JLS Phase II ground lease parcel owned by the Port. Additionally, the Port is working with CIM Group to attract tenants to the remaining available retail spaces and complete associated tenant improvements.

Awards

The Port received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Port's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate is valid for a period of one year only. The Port will be submitting the current Comprehensive Annual Financial Report to GFOA to determine its eligibility for another certificate.

Acknowledgements

We would like to express our appreciation to the Financial Services Division for their professionalism, dedication, and efficiency in the preparation of this report. We also extend our appreciation to the other Port divisions who contributed to this report and to Macias Gini & O'Connell LLP for their assistance and guidance. Finally, we thank the Board for their attention and continuing support to plan and manage the Port's financial operations in a responsible and progressive manner.

Respectfully submitted,



Sara Lee
Chief Financial Officer



Julie Lam
Port Controller



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Port of Oakland
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

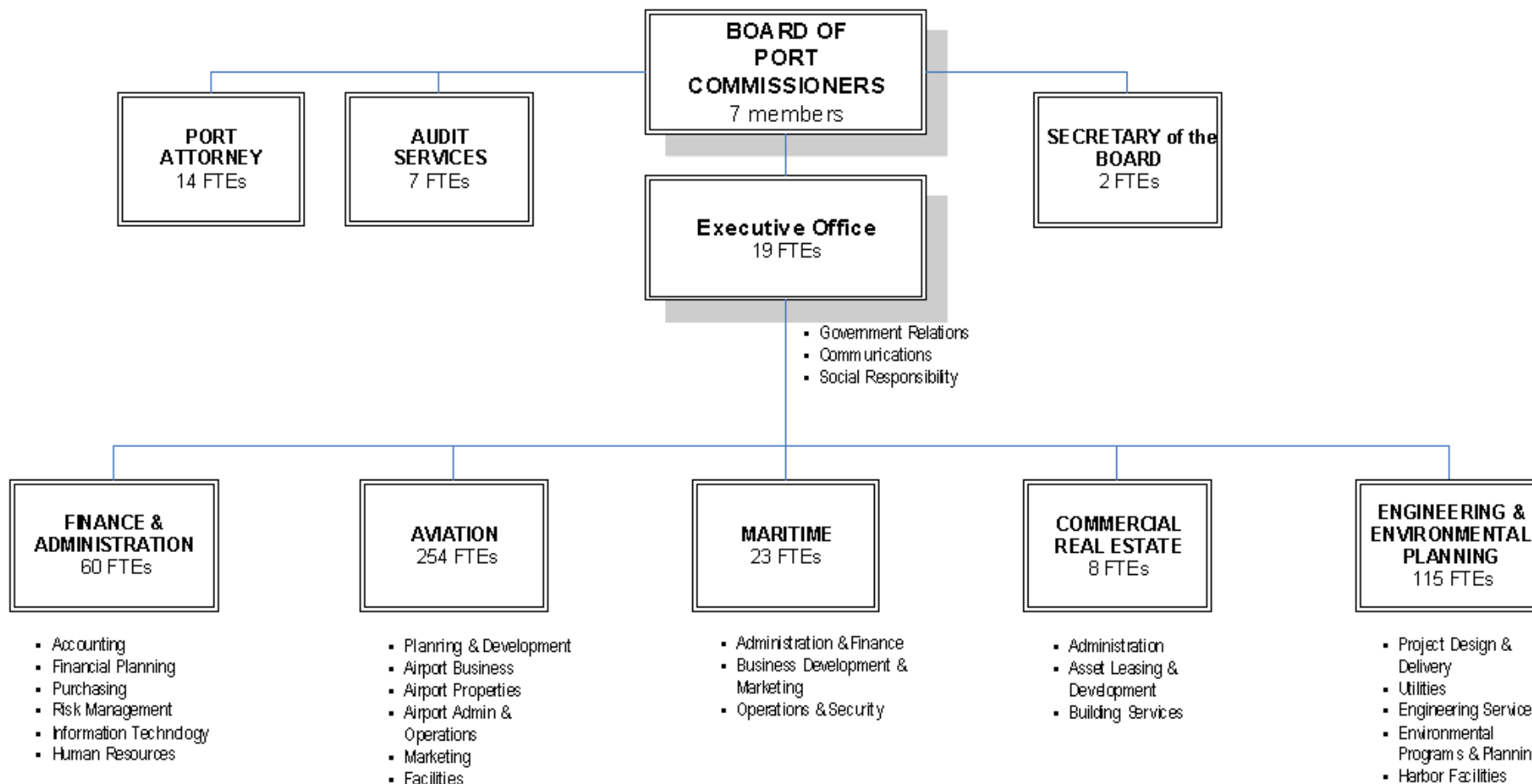
Christopher P. Morill

Executive Director/CEO

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2017-18

502 Funded FTEs (Full-Time Equivalents)





PORT OF OAKLAND

**Appointed Officials, Executive Management
and Contributing Staff**
For the Year Ended
June 30, 2018

Board of Port Commissioners of the City of Oakland

Joan H. Story, President
Cestra Butner, First Vice-President
Andreas Cluver, Second Vice-President
Michael Colbruno, Commissioner
Earl S. Hamlin, Commissioner
Arabella Martinez, Commissioner
Alan S. Yee, Commissioner

Executive Management

Chris Lytle, Executive Director
Bryant L. Francis, Director of Aviation
John C. Driscoll, Director of Maritime
Pamela Kershaw, Director of Commercial Real Estate
Chris Chan, Director of Engineering
Sara Lee, Chief Financial Officer
Danny Wan, Port Attorney

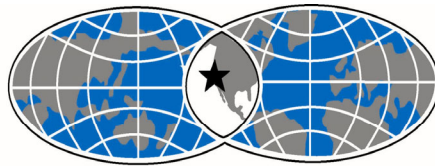
Contributing Staff

Julie Lam, Port Controller
Angelica Avalos, Port Senior Accountant
Leandro Denoga, Port Senior Accountant
Katri Jones, Administrative Specialist
Saw May Khoo, Port Staff Accountant II
Betsy Kwok, Port Staff Accountant II
Raymond Lei, Port Staff Accountant I
Alan Lum, Port Staff Accountant I
Cecilia Ravare, Port Accounting Supervisor
Stanley Tanaka, Port Senior Accountant
David Zolezzi, Port Senior Financial Analyst

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PORT OF OAKLAND

FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis (unaudited)
- Financial Statements
- Required Supplementary Information (unaudited)
- Other Supplementary Information

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Independent Auditor's Report

Board of Port Commissioners of the City of Oakland
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Oakland (Port), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2017, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of OPEB contributions, and the schedule of funding progress – other postemployment benefits as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Port's financial statements. The introductory and statistical sections, and the schedule of revenues and expenses by business line are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues and expenses by business line is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenses by business line is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Walnut Creek, California
December 7, 2018

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2018 and 2017
(dollar amounts in thousands)

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is intended to provide information concerning known facts and conditions affecting the Port of Oakland's (Port) operations. The following discussion and analysis of the financial performance and activities of the Port provides an introduction and understanding of the financial statements of the Port for the fiscal years ended June 30, 2018 and 2017, with comparative information for June 30, 2016. This MD&A has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section. All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Statement Overview

The Port's financial report includes the MD&A, financial statements, notes to the financial statements, required supplementary information and supplementary information. The financial statements include the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. In addition, the report includes a statistical section, which presents various financial and operating data.

The Port prepares the financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, air rights and noise easements, depreciated over their estimated useful lives.

Summary of Net Position

The Statements of Net Position present the financial position of the Port at the end of the fiscal year. The statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Port. Net Position, the difference between assets, deferred outflows/inflows of resources, and liabilities, is an indicator of the fiscal health of the Port and can provide an indication of improvement or deterioration of its financial position over time. A summarized comparison of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30 follows:

	2018	\$ Change	% Change	2017	\$ Change	% Change	2016
Current and other assets	\$ 527,937	\$ 40,414	8.3%	\$ 487,523	\$ 40,274	9.0%	\$ 447,249
Capital assets, net	<u>2,164,570</u>	<u>(10,272)</u>	-0.5%	<u>2,174,842</u>	<u>(24,178)</u>	-1.1%	<u>2,199,020</u>
Total assets	<u>2,692,507</u>	<u>30,142</u>	1.1%	<u>2,662,365</u>	<u>16,096</u>	0.6%	<u>2,646,269</u>
Deferred outflows of resources	<u>70,222</u>	<u>19,491</u>	38.4%	<u>50,731</u>	<u>24,059</u>	90.2%	<u>26,672</u>
Debt outstanding	1,059,198	(61,423)	-5.5%	1,120,621	(41,565)	-3.6%	1,162,186
Other liabilities	<u>498,487</u>	<u>113,988</u>	29.6%	<u>384,499</u>	<u>27,853</u>	7.8%	<u>356,646</u>
Total liabilities	<u>1,557,685</u>	<u>52,565</u>	3.5%	<u>1,505,120</u>	<u>(13,712)</u>	-0.9%	<u>1,518,832</u>
Deferred inflows of resources	<u>4,057</u>	<u>(2,183)</u>	-35.0%	<u>6,240</u>	<u>(5,323)</u>	-46.0%	<u>11,563</u>
Net investment in capital assets	1,155,086	48,539	4.4%	1,106,547	9,498	0.9%	1,097,049
Restricted for construction	10,457	(11,935)	-53.3%	22,392	7,552	50.9%	14,840
Unrestricted	<u>35,444</u>	<u>(37,353)</u>	-51.3%	<u>72,797</u>	<u>42,140</u>	137.5%	<u>30,657</u>
Total net position	<u>\$ 1,200,987</u>	<u>\$ (749)</u>	-0.1%	<u>\$ 1,201,736</u>	<u>\$ 59,190</u>	5.2%	<u>\$ 1,142,546</u>

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Summary of Net Position (continued)

2018

Total net position as of June 30, 2018, decreased approximately \$749 or 0.1% from \$1,201,736 on June 30, 2017 to \$1,200,987 on June 30, 2018. The 2018 net position is reported after required adjustments to record other postemployment benefit (OPEB) obligations and related items pursuant to new accounting rules (see notes 2 and 10). The Port adopted the provisions of GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) as of July 1, 2017. The transition provisions of GASB 75 permit the cumulative effect of applying this accounting change to be reported as a restatement of beginning net position when restatement of all prior periods is not practical, therefore, the Port reduced its beginning net position as of July 1, 2017 by \$84,505 for the cumulative effect of adopting GASB 75. The beginning balance adjustment consisted of a beginning net OPEB liability of \$109,884, reduced by the removal \$9,979 of previously recorded OPEB liability, and beginning deferred outflows for OPEB contributions made during the fiscal year June 30, 2017 of \$15,400.

Unrestricted net position decreased \$37,353 or 51.3% from \$72,797 to \$35,444 primarily due to the recognition of net OPEB liability and related deferred outflows and inflows of resources as required by GASB 75 totaling \$80,658 as of June 30, 2018 and an increase in net pension liability of \$18,663, which was offset by an increase in pension related deferred outflows of \$6,910 and an increase in unrestricted cash equivalents of \$38,702 and an increase in accounts receivable of \$16,218. The increase in net pension liability and pension related deferred outflows was primarily due to a decrease in the discount rate from 7.5% in 2017 to 7.15% in 2018, resulting in an increase in the estimated pension liability and a significant deferred outflow for changes in assumption that will be amortized over the next 2 years. The increase in cash equivalents was generated from operations and the increase in accounts receivable was due to the timing of reimbursement payments related to the runway overlay project funded by the Airport Improvement Program.

Net investments in capital assets increased \$48,539 primarily due to a decrease in long term debt of \$61,423 and a net decrease in capital assets of \$10,272. Long term debt decreased due to principal payments of \$56,760, a decrease of \$30,088 of outstanding debt from the refunding of 2007 Series ABC Bonds with 2017 Series DEFG Bonds, and \$5,280 of 2012 Series P Bonds that were defeased in two separate transactions during the fiscal year. The above decreases to outstanding debt were offset by an increase to unamortized bond premium totaling \$19,176, and the issuance of \$11,529 of new commercial paper notes. For a detailed discussion on capital assets and long-term debt, refer to pages 13-14 for more details.

Net position restricted for construction consist of cash equivalents and accounts receivable related to the collection of Passenger Facilities Charges and Customer Facilities Charges which are restricted for the construction of specific assets at the Airport. Restricted net position decreased \$11,935 due to the release of restricted cash for the runway overlay project and construction at the consolidated rental car facility.

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Summary of Net Position (continued)

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Total net position as of June 30, 2017, increased approximately \$59,190 or 5.2% from \$1,142,546 on June 30, 2016 to \$1,201,736 on June 30, 2017. The 2017 increase in net position was primarily driven by an increase in unrestricted assets of approximately \$42,140 and an increase in net investments in capital assets of approximately \$9,498.

The \$42,140 increase in unrestricted assets was primarily due to a net increase in the Port's unrestricted cash equivalents balances of \$33,001, whose increase was generated from operations, and a decrease in unearned revenue of \$9,803, which resulted from scheduled amortization and the immediate recognition of previously unearned revenue of \$5,526 for the early termination of a long term lease agreement.

The \$9,498 increase in net investments in capital assets is primarily due to principal payments on outstanding debt of \$53,232, the net amortization of bond premiums of \$5,583, offset by issuance of new commercial paper of \$17,250, a net decrease in capital assets of \$24,178 and an increase in accounts payable for construction contracts of \$5,925 and an increase in retention held on construction contracts of \$1,068. The increase in accounts payable and retention on construction contracts is due to the timing of construction projects. For a detailed discussion on capital assets and long-term debt, refer to pages 13-14 for more details.

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Summary of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position reflect how the Port's net position changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. A summary of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30 follows:

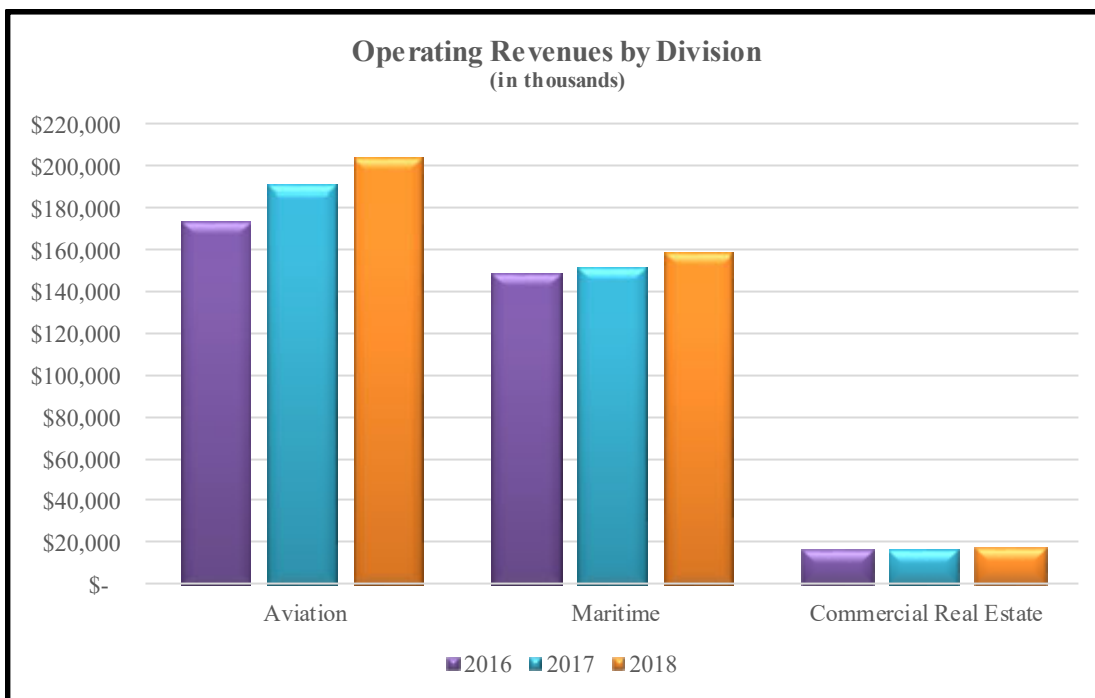
	Twelve Months Ended						2016
	2018	\$ Change	% Change	2017	\$ Change	% Change	
Operating revenues	\$ 381,011	\$ 22,304	6.2%	\$ 358,707	\$ 20,670	6.1%	\$ 338,037
Passenger facility charges revenue	25,903	1,383	5.6%	24,520	1,591	6.9%	22,929
Customer facility charges revenue	5,525	(485)	-8.1%	6,010	71	1.2%	5,939
Gain on lease termination	-	(5,526)	-100.0%	5,526	(29,674)	-84.3%	35,200
Interest income	5,109	2,396	88.3%	2,713	564	26.2%	2,149
Grant revenue	324	(677)	-67.6%	1,001	(418)	-29.5%	1,419
Other income	6,887	5,890	590.8%	997	(6,214)	-86.2%	7,211
Total revenues	<u>424,759</u>	<u>25,285</u>	6.3%	<u>399,474</u>	<u>(13,410)</u>	-3.2%	<u>412,884</u>
Operating expenses							
before depreciation	205,545	16,759	8.9%	188,786	7,629	4.2%	181,157
Depreciation	112,032	5,777	5.4%	106,255	2,178	2.1%	104,077
Interest expense	39,695	(8,000)	-16.8%	47,695	(2,194)	-4.4%	49,889
Customer facility charges expense	4,678	147	3.2%	4,531	224	5.2%	4,307
Loss on disposal of capital assets	5	(2,864)	-99.8%	2,869	2,240	356.1%	629
Other expense	28,896	26,055	917.1%	2,841	(626)	-18.1%	3,467
Grant expense	324	(677)	-67.6%	1,001	(418)	-29.5%	1,419
Total expenses	<u>391,175</u>	<u>37,197</u>	10.5%	<u>353,978</u>	<u>9,033</u>	2.6%	<u>344,945</u>
Change in net position before capital contributions	33,584	(11,912)	-26.2%	45,496	(22,443)	-33.0%	67,939
Capital contributions - Grants from government agencies	<u>50,172</u>	<u>36,478</u>	266.4%	<u>13,694</u>	<u>(21,155)</u>	-60.7%	<u>34,849</u>
Increase in net position	83,756	24,566	41.5%	59,190	(43,598)	-42.4%	102,788
Net position, beginning of the year	1,201,736	59,190	5.2%	1,142,546	102,788	9.9%	1,039,758
Beginning balance adjustment for adoption of GASB 75	<u>(84,505)</u>	<u>(84,505)</u>	-100%	-	-	0.0%	-
Net position, beginning of the year, restated	<u>1,117,231</u>	<u>(25,315)</u>	-2.2%	<u>1,142,546</u>	<u>102,788</u>	9.9%	<u>1,039,758</u>
Net position, end of the year	<u>\$ 1,200,987</u>	<u>\$ (749)</u>	-0.1%	<u>\$ 1,201,736</u>	<u>\$ 59,190</u>	5.2%	<u>\$ 1,142,546</u>

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Operating Revenues by Division

A condensed summary of operating revenues for the years ended June 30 follows:

<u>Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Aviation	\$ 204,293	\$ 190,657	\$ 173,067
Maritime	159,458	151,377	148,772
Commercial Real Estate	17,260	16,673	16,198
Total	<u>\$ 381,011</u>	<u>\$ 358,707</u>	<u>\$ 338,037</u>



2018

The Port's total operating revenues increased approximately \$22,304 or 6.2% from \$358,707 in fiscal year 2017 to \$381,011 in fiscal year 2018.

The Aviation Division generated \$204,293 or 53.6% of the Port's total operating revenues in fiscal year 2018. Aviation's operating revenues increased approximately \$13,636 or 7.2% from \$190,657 in fiscal year 2017 to \$204,293 in fiscal year 2018. The increase in Aviation operating revenue was primarily due to increases in terminal rents \$9,017 and landing revenue \$3,740. The increases in Aviation revenue was driven by increases in both the terminal rental and landing fee rates, and increases in passenger traffic. Effective average terminal rates increased from \$255.34 per square foot in 2017 to \$285.25 per square foot in 2018, a 11.7% rate increase. The Signatory Landing Fee Rate increased from \$3.13 per thousand pounds of landed weight in fiscal year 2017 to \$3.19 per thousand pounds of landed weight in fiscal year 2018. Passenger traffic increased 6.1% from 12.6 million passengers in 2017 to 13.4 million passengers in 2018.

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Operating Revenues by Division (continued)

The Maritime Division generated \$159,458 or 41.9% of the Port's total operating revenues in fiscal year 2018. Maritime's operating revenues increased approximately \$8,081 or 5.3% from \$151,377 in fiscal year 2017 to \$159,458 in fiscal year 2018. The increase in Maritime operating revenue was primarily due to higher cargo activity at two marine terminals that generated additional variable rent; scheduled rent adjustments at the rail terminal operated by BNSF; revenue from available space assignment property; and an increase in utility revenue that resulted primarily from higher shore power usage.

The Commercial Real Estate Division generated \$17,260 or 4.5% of the Port's total operating revenues in fiscal year 2018. Commercial Real Estate's operating revenues increased approximately \$587 or 3.5% from \$16,673 in fiscal year 2017 to \$17,260 in fiscal year 2018. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents.

2017

The Port's total operating revenues increased approximately \$20,670 or 6.1% from \$338,037 in fiscal year 2016 to \$358,707 in fiscal year 2017.

The Aviation Division generated \$190,657 or 53.2% of the Port's total operating revenues in fiscal year 2017. Aviation's operating revenues increased approximately \$17,590 or 10.2% from \$173,067 in fiscal year 2016 to \$190,657 in fiscal year 2017. The increase in Aviation operating revenue was primarily due to increases in terminal rents \$6,125, landing revenue \$4,052, parking and ground access revenues of \$4,041, and terminal concession revenues of \$1,155. The increases in Aviation revenue was driven by increases in both the terminal rental and landing fee rates, and increases in passenger traffic. Effective average terminal rates increased from \$227.75 per square foot in 2016 to \$255.34 per square foot in 2017. The Signatory Landing Fee Rate increased from \$2.94 per thousand pounds of landed weight in fiscal year 2016 to \$3.13 per thousand pounds of landed weight in fiscal year 2017. Passenger traffic increased 8.4% from 11.6 million passengers in 2016 to 12.6 million passengers in 2017.

The Maritime Division generated \$151,377 or 42.2% of the Port's total operating revenues in fiscal year 2017. Maritime's operating revenues increased approximately \$2,605 or 1.8% from \$148,772 in fiscal year 2016 to \$151,377 in fiscal year 2017. The increase in Maritime operating revenue was primarily due to an increase in full TEU's from 1,784,387 in 2016 to 1,850,797 in 2017, and revenue from available space assignment property.

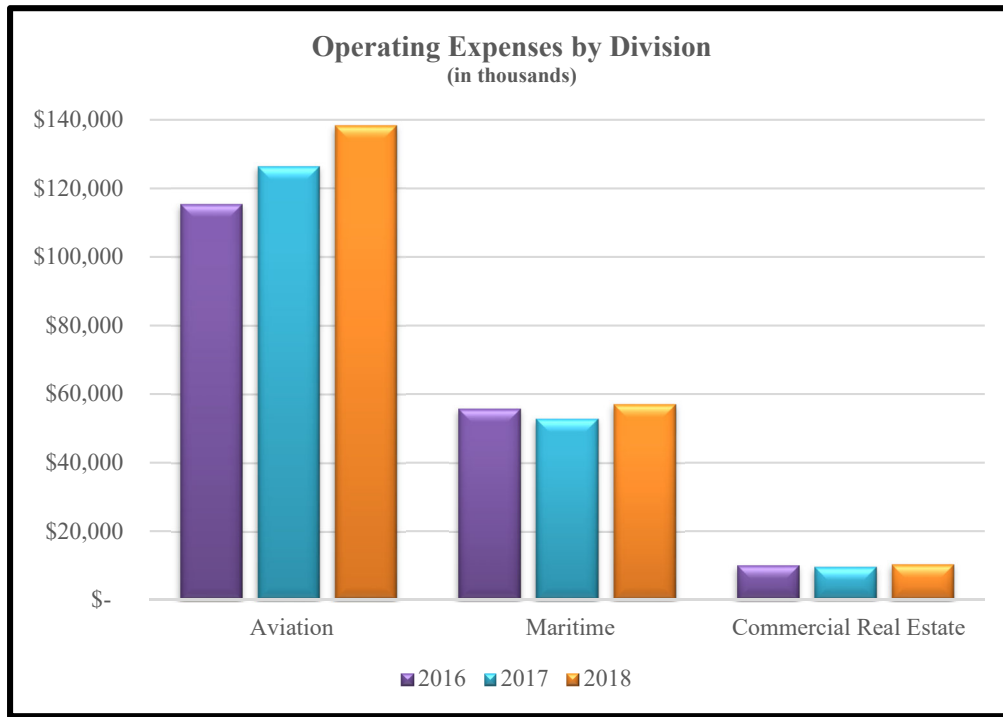
The Commercial Real Estate Division generated \$16,673 or 4.6% of the Port's total operating revenues in fiscal year 2017. Commercial Real Estate's operating revenues increased approximately \$475 or 2.9% from \$16,198 in fiscal year 2016 to \$16,673 in fiscal year 2017. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents, short-term rentals and parking revenue all driven by increased business activity throughout its portfolio.

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Operating Expenses by Division

A condensed summary of operating expenses (excluding depreciation) for the year ended June 30 follows:

Division	2018	2017	2016
Aviation	\$ 138,189	\$ 126,298	\$ 115,344
Maritime	57,031	52,854	55,738
Commercial Real Estate	10,325	9,634	10,075
Total	<u>\$ 205,545</u>	<u>\$ 188,786</u>	<u>\$ 181,157</u>



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Operating Expenses by Division (continued)

2018

The Port's operating expenses, excluding depreciation, increased approximately \$16,759 or 8.9% from \$188,786 in fiscal year 2017 to \$205,545 in fiscal year 2018.

The Aviation Division represented 67.2% of the Port's total operating expenses in fiscal year 2018. Aviation's operating expenses increased by \$11,891 or 9.4% from \$126,298 in fiscal year 2017 to \$138,189 in fiscal year 2018. The increase in operating expense was primarily due to a \$7,427 increase in personnel costs driven by rising pension costs, a \$2,422 increase in pollution remediation primarily due to the recognition of significant remediation connected to the planned demolition of the hanger building at the Airport, and a \$1,527 increase for U.S. Customs and Border Protection services related to increased international service.

The Maritime Division represented 27.7% of the Port's total operating expenses in fiscal year 2018. Maritime's operating expenses increased \$4,177 or 7.9% from \$52,854 in fiscal year 2017 to \$57,031 in fiscal year 2018. The increase in operating expense was primarily due to a \$3,000 increase in personnel costs driven by rising pension costs and a \$1,058 increase in maintenance dredging expense due to the utilization of higher cost disposal sites in current year.

The Commercial Real Estate Division represented 5.0% of the Port's total operating expenses in fiscal year 2018. Commercial Real Estate's operating expenses increased by \$691 or 7.2% from \$9,634 in fiscal year 2017 to \$10,325 in fiscal year 2018.

2017

The Port's operating expenses, excluding depreciation, increased approximately \$7,629 or 4.2% from \$181,157 in fiscal year 2016 to \$188,786 in fiscal year 2017.

The Aviation Division represented 66.9% of the Port's total operating expenses in fiscal year 2017. Aviation's operating expenses increased by \$10,954 or 9.5% from \$115,344 in fiscal year 2016 to \$126,298 in fiscal year 2017. This increase was primarily due to an increase in personnel costs of \$4,728, driven by rising pension and medical costs, an increase in spending on cooperative and inbound marketing of \$1,246, and increased spending for maintenance, repairs and security of the facilities of \$2,761.

The Maritime Division represented 28.0% of the Port's total operating expenses in fiscal year 2017. Maritime's operating expenses decreased \$2,884 or 5.2% from \$55,738 in fiscal year 2016 to \$52,854 in fiscal year 2017. This decrease was driven by a reduction in maintenance dredging expense of \$1,785 due to strategically increased dredging efforts in the prior year and a decrease of \$1,585 of one-time expenses for a temporary extended night gate assistance program that was implemented in 2016 by the Seaport to help ease congestion at the marine terminals.

The Commercial Real Estate Division represented 5.1% of the Port's total operating expenses in fiscal year 2017. Commercial Real Estate's operating expenses decreased by \$441 or 4.4% from \$10,075 in fiscal year 2016 to \$9,634 in fiscal year 2017.

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Depreciation Expense by Division

A summary of depreciation expense as of June 30 follows:

<u>Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Aviation	\$ 55,188	\$ 50,293	\$ 50,000
Maritime	54,334	53,448	51,397
Commercial Real Estate	2,510	2,514	2,680
Total	<u>\$ 112,032</u>	<u>\$ 106,255</u>	<u>\$ 104,077</u>
Depreciation by funding source:			
Grant, PFC and CFC funded portion	\$ 32,021	\$ 34,516	\$ 32,166
Internal and debt funded portion	80,011	71,739	71,911
Total	<u>\$ 112,032</u>	<u>\$ 106,255</u>	<u>\$ 104,077</u>

In fiscal year 2018, depreciation expense increased \$5,777 or 5.4%. Maritime's depreciation increased approximately \$886 due to assets placed in service during the year. The most significant assets placed in service by the Maritime division are two raised cranes at Oakland International Container Terminal. Aviation depreciation expense increased \$4,895 due to assets placed in service during the year. The most significant assets placed in service by the Aviation division are the Airport Terminal 1 retrofit and renovation and the Runway 12-30 Rehabilitation. Commercial Real Estate's depreciation decreased approximately \$4 due to several assets that fully depreciated during the year.

In fiscal year 2017, depreciation expense increased \$2,178 or 2.1%. Maritime's depreciation increased approximately \$2,051 due to assets placed in service during the year. The most significant assets placed in service by Maritime division are the Outer Harbor Intermodal Terminal Railyard Phase 1 and Support Yard. Aviation depreciation expense increased \$293 due to assets placed into service during the year. Commercial Real Estate's depreciation decreased approximately \$166 due to several assets that fully depreciated during the year.

Interest Expense

Interest expense decreased \$8,000 or 16.8% in fiscal year 2018, from \$47,695 in fiscal year 2017 to \$39,695 in fiscal year 2018. This was following a decrease in interest expense in fiscal year 2017 of \$2,194 or 4.4% from \$49,889 in fiscal year 2016. The decreases in interest expense were the result of scheduled principal payments in fiscal 2017 and 2018, reducing the overall amount of debt outstanding and the refunding of 2007 Series Bonds in fiscal year 2018 which further reduced outstanding debt.

Gain on Lease Termination

In fiscal year 2017, the Port recognized a one-time gain on lease termination of \$5,526 for the immediate recognition of unamortized unearned revenue from a long-term rental contract that was terminated early.

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Other Expense

Other expense increased \$26,055 in fiscal year 2018, from \$2,841 in fiscal year 2017 to \$28,896 in fiscal year 2018. The increase was due to a net adjustment to infrastructure assets of \$24,981 recognized by the Port in fiscal year 2018. The net adjustment transferred payments made to Union Pacific Railroad Company (UPRR) for the construction of railroad track and related assets by UPRR to other non-operating expense. The assets constructed by UPRR are owned and operated by UPRR and connect the Port's own rail infrastructure to the public.

Other Income

Other income increased \$5,890 in fiscal year 2018, from \$997 in fiscal year 2017 to \$6,887 in fiscal year 2018. The increase was driven by payment from various legal settlements received during fiscal year 2018.

Capital Contributions

Capital contributions consist solely of grants received from other government agencies. Grants, for the most part, are restricted for the acquisition or construction of capital assets. A condensed summary of capital contributions by granting agency as of June 30 follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
U.S. Department of Transportation:			
Airport Improvement Program	\$ 41,662	\$ 10,589	\$ 16,575
Transportation Investment Generating Economic Recovery	-	1,339	4,133
U.S. Department of Homeland Security:			
Port Security Grant Program	121	1,061	225
Trade Corridor Improvement Fund	5,000	-	13,980
Other grant programs	<u>3,389</u>	<u>705</u>	<u>(64)</u>
Total capital contributions	<u>\$ 50,172</u>	<u>\$ 13,694</u>	<u>\$ 34,849</u>

In fiscal year 2018, grants from government agencies increased approximately \$36,478 from \$13,694 in fiscal year 2017 to \$50,172 in fiscal year 2018. The majority of capital contributions recognized by the Port in fiscal year 2018 was from the Airport Improvement Program for design and construction work on the Runway 12/30 rehabilitation project and the Trade Corridor Improvement Fund for construction work on the Cool Port Rail project.

In fiscal year 2017, grants from government agencies decreased approximately \$21,155 from \$34,849 in fiscal year 2016 to \$13,694 in fiscal year 2017. The decrease is due to the completion of the Outer Harbor Intermodal Terminal Railyard Phase 1 development during fiscal year 2016, which was partially funded by the Trade Corridor Improvement Fund and the Transportation Investment Generating Economic Recovery grants.

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Capital Assets (net of depreciation) and Capital Improvement Plan

A summary of capital assets, net of depreciation and amortization as of June 30 follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital assets:			
Land	\$ 523,382	\$ 523,382	\$ 523,374
Noise easements and air rights	25,853	25,852	25,852
Construction in progress	41,451	143,257	181,907
Buildings and improvements	368,764	259,030	280,675
Container cranes	46,978	45,058	49,877
Infrastructure	1,124,033	1,144,375	1,099,661
Software	4,201	5,604	6,901
Other equipment	29,908	28,284	30,773
Total	<u>\$ 2,164,570</u>	<u>\$ 2,174,842</u>	<u>\$ 2,199,020</u>

Net capital assets decreased by approximately \$10,272 or 0.5% in fiscal year 2018, due to capital asset additions of \$126,745, offset by retirements and abandoned construction in progress and other adjustments of \$24,985, and an increase in accumulated depreciation of \$112,032. Major additions to capital assets in fiscal year 2018 were related to Airport Terminal 1 retrofit and renovation; Runway 12-30 Rehabilitation and International Arrival Building M-114 Upgrade.

Net capital assets decreased by approximately \$24,178 or 1.1% in fiscal year 2017, due to capital asset additions of \$85,397, offset by retirements and abandoned construction in progress of \$2,892, adjustments to construction in progress to reclassify prior year project costs to expense of \$428 and an increase in accumulated depreciation of \$106,255. Major additions to capital assets in fiscal year 2017 were related to Airport Terminal 1 retrofit and renovation; International Arrival Building Upgrade; and Outer Harbor Intermodal Terminal Support Yard.

Additional information on the Port's capital assets can be found in Note 4 Changes in Capital Assets in the accompanying notes to the financial statements.

On June 22, 2018, a five-year (fiscal year 2019-2023) Capital Improvement Plan (CIP) in the amount of \$498.9 million was presented to the Board for informational purposes. For fiscal year 2019, the Board adopted a capital budget of \$34.7 million. In addition to various Port-wide utility improvements, the most significant projects in the five-year CIP are:

Aviation: Taxiway and Runway Improvement projects, Airfield Perimeter Dike improvements, and various Terminal 1 and 2 projects.

Maritime: Seaport Logistics Complex development, crane raising, and various marine roadway and terminal improvements.

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Debt Administration

The following table summarizes the Port's outstanding debt as of June 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Bond Indebtedness	\$ 891,695	\$ 979,565	\$1,028,550
Dept. of Boating and Waterway Loan	4,173	4,431	4,678
Commercial Paper	105,370	97,841	84,591
Subtotal debt	<u>1,001,238</u>	<u>1,081,837</u>	<u>1,117,819</u>
Net unamortized premium (discount)	57,960	38,784	44,367
Total debt	<u>\$1,059,198</u>	<u>\$1,120,621</u>	<u>\$1,162,186</u>

In fiscal year 2018, the Port's total debt decreased approximately \$61,423 or 5.5% from \$1,120,621 in fiscal year 2017 to \$1,059,198 in fiscal year 2018. The decrease resulted in part from principal payments of \$56,760 on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways. In August 2017, the Port also refunded \$284,039 of 2007 Series ABC Bonds by issuing \$253,950 of 2017 Series DEFG Bonds, resulting in a decrease of \$30,089 of outstanding debt. A further \$5,280 of 2012 Series P Bonds were defeased in two separate transactions during the fiscal year. The above decreases to outstanding debt were offset by an increase to unamortized bond premium totaling \$19,176, and the issuance of \$11,529 of new commercial paper notes.

In fiscal year 2017, the Port's total debt decreased approximately \$41,565 or 3.6% from \$1,162,186 in fiscal year 2016 to \$1,120,621 in fiscal year 2017. The decrease resulted from principal payments of \$53,232 on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways and a decrease to unamortized bond premium totaling \$5,583. It was partially offset by the issuance of \$17,250 of new commercial paper notes to reimburse the Port for capital project expenditures.

The debt coverage ratios for the fiscal years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Senior Lien	3.98	3.89	3.30
Intermediate Lien	1.82	1.73	1.61

The Senior Lien and Intermediate Lien debt service coverage ratios are calculated pursuant to the bond indentures.

Additional information on the Port's debt activity can be found in Note 5 Debt in the accompanying notes to the financial statements.

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Credit Ratings

The Port's credit ratings as of June 30, 2018 are as follows:

- Standard & Poor's Rating Service (S&P) underlying rating on the Port's Senior Lien Bonds is "A+", and the underlying rating on the Intermediate Lien Bonds is "A". The rating on the Port's Commercial Paper Notes for all series is "A-1".
- Moody's Investors Service, Inc. (Moody's) underlying rating on the Port's Senior Lien Bonds is "A1", and the underlying rating on the Intermediate Lien Bonds is "A2". The rating on the Port's Commercial Paper Notes for all series is "P1". In addition, Moody's has set a subordinate lien rating of "A3" on the bank note established for the Port's Commercial Paper Program.
- Fitch Ratings' (Fitch) underlying rating on the Port's Senior Lien Bonds is "A+", and the underlying rating on the Intermediate Lien Bonds is "A". The rating on the Port's Commercial Paper Notes for all series is "F1". In addition, Fitch has set a subordinate lien rating of "A" on the bank note established for the Port's Commercial Paper Program.

Notes to the Financial Statements

The notes to the Port's financial statements can be found on pages 23-65 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Facts and Conditions Affecting the Port's Operation

Aviation

The Airport is one of three commercial airports serving the San Francisco Bay Area: the Airport, San Francisco International (SFO), and Norman Mineta San José International (SJC). The Bay Area airports, especially the Airport and SFO, serve overlapping markets and compete for passengers who frequently consider more than one Bay Area airport when purchasing air travel. Additionally, airlines may shift their operations among the Bay Area airports based upon local competition and each airline's market share goals. Air carriers also consider airport operating costs, the availability of airport facilities and, in some cases, the location of existing alliance partner flight activity as contributing factors in their flight schedule decision-making process. In addition to the aforementioned factors, the activity levels at the Airport are also sensitive to general economic conditions, acts of terrorism or disease epidemic/pandemic which could significantly impact demand for air travel. The Airport is unable to predict how market competition or future economic conditions will affect the Airport's operations.

In addition to facing competition from other Bay Area airports, the Airport could also face competition for passengers from passenger high-speed rail service or other newly-developed mass transit alternatives in the future. The California High Speed Rail Authority (CHSR Authority) is pursuing a statewide, high-speed rail system in California linking Los Angeles to the San Francisco Bay Area, with a proposed station to be located in the City. The CHSR Authority will pursue a phased implementation of service and the initial construction segment of the project (Merced to Bakersfield) began in 2015. The CHSR Authority has a schedule that would complete all necessary work to operate trains between the Central Valley and Silicon Valley by 2025. The CHSR Authority has stated that it plans to price its rail fares below air fares. The Port is unable to predict if or when a statewide, high speed rail system will become operational between the San Francisco Bay Area and Los Angeles, or what effect such rail system would have, if any, on total passenger traffic and revenues of the Airport or whether that impact would be material.

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2018 and 2017
(dollar amounts in thousands)

Maritime

The Seaport is the principal ocean gateway for international containerized cargo shipments in Northern California. Historically, the Seaport has managed a balance of import and export trade, with a strong export base of California's premium agricultural products, Midwestern protein, and other U.S. goods bound for foreign markets. Approximately 88% of all cargo moving via Oakland originates from or is destined to a local or regional location. The Port is a part of global supply chains for importers and exporters; as such, it is sensitive to fluctuations in the U.S. and global economies and impacted by business decisions of other participants in the supply chain.

The Seaport competes with other ports primarily for discretionary intermodal rail cargo, which is cargo that originates from or is destined to inland destinations and that, therefore, could be shipped through any one of several ports. Discretionary intermodal rail cargo is about 12% of the Port's total cargo throughput. Expansion of other ports or future infrastructure developments (such as increased channel depth and Panama Canal expansion) could result in diversion of this type of intermodal cargo from West Coast ports to East Coast and Gulf ports. As the Seaport continues to work towards expanding its market share of such cargo, these types of developments could hinder the Port's efforts. The Port cannot predict the scope of potential impacts at this time.

About 76% of the cargo handled at the Port is the result of trade with Asia, particularly China. Tariffs enacted, scheduled to be enacted, or scheduled to increase significantly by action of both China and the U.S. in 2018-2019 could negatively impact import and export cargo volume at U.S. ports, including the Port of Oakland. The scope of the impact depends on many factors, including, for example, the flexibility of a company's supply chain (i.e., sourcing and/or manufacturing location options) and consumers' ability to absorb additional costs. The Port cannot accurately predict the scope of potential impacts at this time.

Separate from these issues, the maritime industry as a whole has been facing significant economic pressure for several years, which has resulted in major financial losses, bankruptcy, marine terminal closures, formation of new shipping line alliances, and consolidation within segments of the supply chain. While the Port's marine terminal tenants and shipping line customers appear stable at this time, the industry remains fragile. The Port cannot predict additional changes that may occur in various segments of the supply chain, and therefore the Port cannot predict the scope of potential resulting impacts at this time.

Additionally, the maritime industry is vulnerable to strikes and other union activities, particularly activities related to the union labor employed by the marine terminal operators, but also activities of "sympathetic" unions. The labor agreement between the International Longshore and Warehouse Union, the union representing most dockworkers at all United States West Coast ports, and the Pacific Maritime Association, which represents companies engaged in shipping to or through ports on the West Coast of the United States, expires on July 1, 2022. Historically, certain labor disruptions have affected the competitive position of all West Coast ports, including the Seaport, while others have had port-specific impacts that negatively affected one port while benefiting another port (for example, when cargo is diverted). The Seaport's marine terminal leases provide certain assurances for revenue collection in the event of a strike or lockout; however, these assurances are inherently limited and are not designed to mitigate the impact of long-term cargo shifts to other ports if a labor disruption resulted in major, sustained cargo diversion.

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Commercial Real Estate

Over the last decade, the Commercial Real Estate Division has leased most of its properties to developers or tenants under long-term ground leases, under which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. The Port continues to work with the developers to ensure the properties are developed and managed in ways that are compliant with California Tidelands Trust regulations, however most of the development cost and financial risk is held by the developers.

Contacting the Port's Financial Management

Requests for additional information about this report should be addressed to the Financial Services Division, Port of Oakland, 530 Water Street, Oakland, California 94607 or visit the Port's website at www.portofoakland.com.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Net Position
June 30, 2018 and 2017
(dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 368,157	\$ 329,455
Accounts receivable (less allowance for doubtful accounts of \$540 in 2018 and \$647 in 2017)	44,157	27,939
Prepaid expenses and other assets	3,663	4,155
Total unrestricted current assets	<u>415,977</u>	<u>361,549</u>
Restricted:		
Cash equivalents	7,113	19,100
Investments	56,678	57,576
Deposits in escrow	2,284	3,680
Passenger facility charges and customer facility charges receivable	3,344	3,292
Accrued interest receivable	330	203
Total restricted current assets	<u>69,749</u>	<u>83,851</u>
Total current assets	<u>485,726</u>	<u>445,400</u>
Non-current assets:		
Capital assets:		
Land	523,382	523,382
Noise easements and air rights	25,853	25,852
Construction in progress	41,451	143,257
Buildings and improvements	986,181	852,273
Container cranes	155,697	148,697
Infrastructure	2,117,468	2,061,762
Software	13,844	13,842
Other equipment	103,537	99,980
Total capital assets, at cost	3,967,413	3,869,045
Less accumulated depreciation	<u>(1,802,843)</u>	<u>(1,694,203)</u>
Capital assets, net	2,164,570	2,174,842
Other receivables	28,026	28,619
Other assets	14,185	13,504
Total non-current assets	<u>2,206,781</u>	<u>2,216,965</u>
Total assets	<u>2,692,507</u>	<u>2,662,365</u>
Deferred Outflows of Resources		
Loss on refunding	6,838	8,989
Deferred outflows related to pensions	48,652	41,742
Deferred outflows related to OPEB	14,732	-
Total deferred outflows of resources	<u>\$ 70,222</u>	<u>\$ 50,731</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Net Position (continued)
June 30, 2018 and 2017
(dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,528	\$ 35,442
Retentions on construction contracts	4,435	5,878
Environmental and other	13,553	15,496
Accrued interest	7,568	8,319
Long-term debt, net	60,027	58,403
Liability to City of Oakland	8,675	10,197
Unearned revenue	8,086	5,403
Total current liabilities	<u>138,872</u>	<u>139,138</u>
Non-current liabilities:		
Retentions on construction contracts	-	159
Environmental and other	43,559	41,324
Long-term debt, net	999,171	1,062,218
Net pension liability	222,741	204,078
Net OPEB liability	103,877	-
Deposits	23,347	20,883
Other post employment benefits	-	9,979
Unearned revenue	26,118	27,341
Total non-current liabilities	<u>1,418,813</u>	<u>1,365,982</u>
Total liabilities	<u>1,557,685</u>	<u>1,505,120</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	2,565	6,240
Deferred inflows related to OPEB	1,492	-
Total deferred inflows of resources	<u>4,057</u>	<u>6,240</u>
Net Position		
Net investment in capital assets	1,155,086	1,106,547
Restricted for construction	10,457	22,392
Unrestricted	35,444	72,797
Total net position	<u>\$ 1,200,987</u>	<u>\$ 1,201,736</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Lease rentals - terminal	\$ 172,064	\$ 159,231
Lease rentals - other	69,780	67,000
Parking fees and ground access	53,419	50,428
Landing fees	37,001	33,261
Terminal concessions	22,775	24,563
Utility sales	15,391	14,202
Rail terminal rent	3,173	3,065
Fueling	2,414	2,422
Other	4,994	4,535
Total operating revenues	<u>381,011</u>	<u>358,707</u>
Operating expenses:		
Personnel services, materials, services, supplies, and other	75,919	72,685
Maintenance and engineering	61,551	56,243
Marketing and public relations	5,864	6,809
Administration and general services	20,721	15,601
Utilities	12,021	10,618
Security, police and fire	29,469	26,830
Depreciation	112,032	106,255
Total operating expenses	<u>317,577</u>	<u>295,041</u>
Operating income	<u>63,434</u>	<u>63,666</u>
Non-operating revenues (expenses):		
Interest income	5,109	2,713
Interest expense	(39,695)	(47,695)
Customer facility charges revenue	5,525	6,010
Customer facility charges expenses	(4,678)	(4,531)
Passenger facility charges	25,903	24,520
Other income	6,887	997
Other expense	(28,896)	(2,841)
Grant income	324	1,001
Grant expenses	(324)	(1,001)
Gain on long term lease termination	-	5,526
Loss on disposal of capital assets	(5)	(2,869)
Total non-operating revenue (expenses), net	<u>(29,850)</u>	<u>(18,170)</u>
Increase in net position before capital contributions	33,584	45,496
Capital contributions - Grants from government agencies	<u>50,172</u>	<u>13,694</u>
Increase in net position	83,756	59,190
Net position, beginning of the year	1,201,736	1,142,546
Beginning balance adjustment for adoption of GASB 75	(84,505)	-
Net position, beginning of the year, as restated	<u>1,117,231</u>	<u>1,142,546</u>
Net position, end of the year	<u>\$ 1,200,987</u>	<u>\$ 1,201,736</u>

The accompanying notes are an integral part of these financial statements.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Cash Flows
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 379,119	\$ 357,046
Payments to suppliers	(98,620)	(92,704)
Payments to employees	(67,733)	(79,844)
Payments to employee retirement plans	(19,777)	(19,364)
Payments to employee OPEB plan	(14,732)	-
Other non-operating payments	(4,097)	(3,393)
Other non-operating receipts	129	380
Net cash provided by operating activities	<u>174,289</u>	<u>162,121</u>
Cash flows from noncapital financing activities:		
Proceeds from government agencies for recovery of operating costs	324	1,001
Payments to grant subrecipient	-	(270)
Proceeds from insurance and other recoveries	6,615	865
Net cash provided by noncapital financing activities	<u>6,939</u>	<u>1,596</u>
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	265,479	17,250
Repayments/refunding of debt	(346,078)	(53,232)
Grants from government agencies	39,682	15,246
Interest paid on debt	(19,119)	(52,358)
Purchase of capital assets	(128,451)	(78,404)
Proceeds from sale of capital assets	-	23
Customer facility charge and passenger facility charge receipts	26,851	25,747
Net cash used in capital and related financing activities	<u>(161,636)</u>	<u>(125,728)</u>
Cash flows from investing activities:		
Interest received on investments	4,829	2,589
Purchase of restricted investments	(55,282)	(58,571)
Proceeds from maturity of restricted investments	57,576	57,719
Net cash provided by investing activities	<u>7,123</u>	<u>1,737</u>
Net increase in cash equivalents	26,715	39,726
Cash equivalents, beginning of year	<u>348,555</u>	<u>308,829</u>
Cash equivalents, end of year	<u>\$ 375,270</u>	<u>\$ 348,555</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Cash Flows (continued)
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 63,434	\$ 63,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	112,032	106,255
Other	(3,968)	(3,013)
Net effects of changes in:		
Accounts receivable, net of capital grants	(5,728)	708
Prepaid expenses and other current assets	(189)	(2,232)
Other receivables and assets	593	652
Accounts payable and accrued liabilities	1,190	2,395
Liability to City of Oakland	(1,522)	1,129
Unearned revenue	1,460	(4,277)
Deposits	2,464	2,552
Environmental and other liabilities	292	(1,910)
Net pension liability and related deferred outflow/inflow of resources	8,078	(3,804)
Net OPEB liability and related deferred outflow/inflow of resources	(3,847)	-
Net cash provided by operating activities	\$ 174,289	\$ 162,121
Non-cash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued liabilities	\$ 11,981	\$ 12,085
Prior construction in progress reclassified to expense	24,980	428
Net change in retention on capital construction contracts	(1,602)	1,068
Net change in grants receivable	(10,490)	1,552
Abandoned construction in progress and other capital assets	3	2,892
Long term lease termination:		
Recognized unearned income	-	(5,526)

(Concluded)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

1. Organization

The Port of Oakland, California (Port) was established in 1927 by the City of Oakland (City) and is included as a component unit in the City's basic financial statements. The accompanying financial statements include the operations of the Oakland International Airport (Airport or OAK), the maritime facilities (Seaport) and commercial real estate holdings.

The Port is governed by a seven-member Board of Port Commissioners (Board) whose members are appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by the City Charter to deposit its revenues in the City Treasury. The City Treasurer is responsible for investing and managing such funds.

2. Significant Accounting Policies

Basis of Accounting

The Port's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow/inflow of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used to record environmental remediation liabilities, accounts receivable and grant receivable accruals, allowance for doubtful accounts, depreciation expense, net pension liability, pension benefit costs, net other postemployment benefits (OPEB) liability, OPEB benefit costs, and various expense allocations. Actual results could differ from those estimates.

Net Position

Net position represents the residual interest in the Port's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three sections: net investment in capital assets, restricted for construction, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources or deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. As of June 30, 2018 and 2017, the statements of net position reported \$10,457 and \$22,392 respectively, as restricted for construction.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

Cash Equivalents

The Port considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Port's cash and investments in the City Treasury are, in substance, demand deposits and are considered cash equivalents.

Investments

The Port reports its investments at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurs. Government securities money market mutual fund investments with a remaining maturity at the time of purchase of one year or less are valued at amortized costs.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers and granting agencies in accordance with contractual arrangements. The allowance for doubtful accounts is based on a tiered percentage of significantly aged receivables. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded as revenue when received.

Restricted Assets

Assets whose use is restricted to specific purposes by bond indenture or regulation are segregated on the statements of net position.

Capital Assets

Capital assets are stated at cost. It is the policy of the Port to capitalize all expenses related to capital assets greater than \$5. Depreciation expense is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	5 to 50 years
Container cranes	25 years
Infrastructure	10 to 50 years
Other equipment	3 to 40 years
Software	3 to 10 years

Tenant improvements paid for by the tenants and owned by the Port are recorded as capital assets with an offsetting credit to unearned revenue. The asset is amortized over the shorter of the life of the lease or the life of the asset and the unearned revenue is amortized over the same terms.

Intangible assets which are identifiable are recorded as capital assets. The Port has identified noise easements, air rights and computer software development costs as intangible assets. Intangible assets not having indefinite useful lives are amortized over the estimated useful life of the asset.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

Other Receivables

Other receivables include future lease receipts from a fifty-year finance lease agreement associated with the sale and lease of the marina as discussed in Note 7.

Loss on Refunding

The loss on refunding at the time of a refunding is reported as deferred outflow of resources and is amortized as interest expense over the shorter of the remaining life of the refunded bonds or life of the new bonds.

Unearned Revenue

Unearned interest revenue and prepaid rent related to tenant leases are amortized principally on the straight-line method over the life of the remaining lease term.

Compensated Absences

The Port accrues employee benefits, including accumulated vacation and sick leave, as liabilities in the period the benefits are earned.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Port. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities. When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is the Port's policy to first utilize available restricted assets and then to utilize unrestricted assets.

Allocation of Expenses to the Port Businesses

The Port records to each of its revenue divisions (Aviation, Maritime, and Commercial Real Estate) expenses directly related to those operations. In addition, the Port annually allocates indirect expenses to these divisions based on an expense allocation methodology. Allocated expenses include general operating expenses, maintenance and engineering, marketing and public relations, and administration and general services.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Port's pension plan, and additions to/deductions from the Port's pension plan's fiduciary net position have been determined on the same basis as they are reported by the plan's administrator, State of California's Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by the plan's administrator, State of California's Public Employees' Retirement System (CalPERS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Grants from Government Agencies

Grants, for the most part, are restricted for the acquisition or construction of capital assets. Such grants are recorded as revenue when all eligibility requirements imposed by the provider have been met. Grants that reimburse for costs that would have otherwise been reported as operating expenses are reported as non-operating revenue and the corresponding expense reported as non-operating expense.

Passenger Facility Charges

The Port, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, currently imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port has three approved and two active applications with the FAA to collect and use PFC funds for specific purposes. The current authority to impose PFCs is estimated to end February 1, 2035.

PFC revenues, including any interest earned thereon, are restricted solely to finance allowable costs of new airport planning and development projects as defined and authorized by the FAA. PFC revenues may be used to pay debt service and related expenditures associated with FAA approved projects and the Port has received FAA approval to pay certain debt service if debt proceeds are used for qualifying projects. PFC revenues are recorded as non-operating revenue and any unspent PFC revenues are recorded as restricted cash equivalents.

Customer Facility Charges

Under Section 1936 of the California Civil Code, and pursuant to a Port ordinance effective January 2009, the rental car companies operating at the Airport are required to collect from the rental customers and remit to the Port a Customer Facility Charge (CFC). The current CFC is \$10 per contract for companies operating on airport property and \$8.00 for companies operating off airport property. The revenues from CFCs collected by the Port are funding the common use shuttle bus operations between the terminal and rental car facility and are eligible to fund common use rental car facility capital improvements. CFC revenues are recorded as non-operating revenue and expenses reimbursed with CFC funds are recorded as non-operating expense. Any unspent CFC revenues are recorded as restricted cash equivalents.

Port of Oakland
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Notes to Financial Statements
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(dollar amounts in thousands)

Effects of New Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 is intended to make other postemployment benefits (OPEB) accounting and financial reporting consistent with the pension standards outlined in GASB issued Statement No. 68, *Accounting and Financial Report for Pensions*. This includes recognizing a net OPEB liability in accrual basis financial statements. This statement is effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans for their employees. As of July 1, 2017, the Port implemented the provisions of GASB 75, which resulted in the Port restating its net position on July 1, 2017, by \$84,505 to record the beginning Net OPEB Liability of \$109,884, the beginning Deferred Outflows of Resources of \$15,400, and reverse the previously recognized OPEB liability of \$9,979. The Port did not restate the financial statements for the year ended June 30, 2017, because the actuarial information was not available. As such, the Port included herein the OPEB disclosure under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45), for the year ended June 30, 2017.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). The objective of GASB 85 is to address practice issues that were identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). This statement is effective for fiscal years beginning after June 15, 2017. As of July 1, 2017, the Port adopted the provisions of GASB 85, which did not have a significant impact on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). The objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. As of July 1, 2017, the Port adopted the provisions of GASB 86, which did not have a significant impact on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of the Construction Period* (GASB 89). The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expenditure/expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. As of July 1, 2017, the Port adopted the provisions of GASB 89 and did not capitalize any interest cost.

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For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

New Accounting Pronouncements Not Yet Adopted

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Application of this statement is effective for the Port's fiscal year ending June 30, 2021.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Application of this statement is effective for the Port's fiscal year ending June 30, 2019.

Reclassification and Presentation

Certain reclassifications of prior year's balances have been made to confirm with the current year presentation. The reclassifications have no effect on the total net position, change in net position or net changes in cash equivalents.

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3. Cash Equivalents, Investments, and Deposits

Cash Equivalents and Investments

Under the City Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are managed and invested by the City, pursuant to the City's Investment Policy, that the City administers and reviews annually. For this reason, the Port does not maintain its own investment policy, and relies on the City Investment Policy to mitigate the risks described within this note.

Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is invested in either 1) Federal Home Loan Bank Bond, Federal Home Loan Mortgage Corporation notes, or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Bonds.

On June 30, 2018, the Port had the following cash equivalents and investments:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Maturity Less than 1 Year</u>
City Investment Pool	\$ 368,157	\$ 5,154	\$ 373,311	Unrated	\$ 373,311 *
Government Securities Money					
Market Mutual Funds	-	1,959	1,959	Unrated	1,959 *
Total Cash Equivalents	368,157	7,113	375,270		375,270
Federal Home Loan					
Bank Bond	-	56,678	56,678	Aaa	56,678
Total Investments	-	56,678	56,678		56,678
Total Cash Equivalents and Investments	<u>\$ 368,157</u>	<u>\$ 63,791</u>	<u>\$ 431,948</u>		<u>\$ 431,948</u>

*Represents weighted average maturity

On June 30, 2017, the Port had the following cash equivalents and investments:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Maturity Less than 1 Year</u>
City Investment Pool	\$ 329,455	\$ 18,597	\$ 348,052	Unrated	\$348,052 *
Government Securities Money					
Market Mutual Funds	-	503	503	Unrated	503 *
Total Cash Equivalents	329,455	19,100	348,555		348,555
Federal Home Loan					
Mortgage Corporation Notes	-	57,576	57,576	Aaa	57,576
Total Investments	-	57,576	57,576		57,576
Total Cash Equivalents and Investments	<u>\$ 329,455</u>	<u>\$ 76,676</u>	<u>\$ 406,131</u>		<u>\$406,131</u>

*Represents weighted average maturity

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Fair Value Hierarchy

The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of investments held by the Port as of June 30, 2018 and 2017:

Investments by Fair Value Level	2018	Investments Exempt from Fair Value Hierarchy	Fair Value Measurements Using Significant Observable Inputs (Level 2)
Federal Home Loan Bank Bond	\$ 56,678	\$ -	\$ 56,678
Government Securities Money Market Mutual Funds	1,959	1,959	-
City Investment Pool	373,311	373,311	-
Total Investments	\$ 431,948	\$ 375,270	\$ 56,678

Investments by Fair Value Level	2017	Investments Exempt from Fair Value Hierarchy	Fair Value Measurements Using Significant Observable Inputs (Level 2)
Federal Home Loan Mortgage Corporation Notes	\$ 57,576	\$ -	\$ 57,576
Government Securities Money Market Mutual Funds	503	503	-
City Investment Pool	348,052	348,052	-
Total Investments	\$ 406,131	\$ 348,555	\$ 57,576

Investment securities classified in Level 2 of the fair value hierarchy consist of Federal Home Loan Bank Bond and Federal Home Loan Mortgage Corporation Notes, and are valued using various market and industry inputs. Investments exempt from fair value treatment consist of Government Securities Money Market Mutual Funds, which are valued at amortized cost, and the City Investment Pool, whose fair value disclosure is presented at the City-wide level in the City's basic financial statements.

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Deposits in Escrow

Deposits in escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor. As of June 30, 2018, and 2017 the Port had deposits in escrow of \$2,284 and \$3,680, respectively.

Investments Authorized by Debt Agreements

The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture (Intermediate Trust Indenture, together with the Senior Trust Indenture, are referred to as the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit/banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements.

Interest Rate Risk

This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest rate risk.

In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures.
- The deposits held by the City Treasury are invested pursuant to the City's Investment Policy, which limits the maximum maturity of any investment to be no longer than 5 years. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

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Credit Risk

This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage credit risk.

In order to manage credit risk:

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by S&P, A2 by Moody's, and A by Fitch Ratings.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party.

To protect against custodial credit risk:

- All securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of \$58,637 and \$58,079 at June 30, 2018 and 2017, respectively.
- All securities the Port has invested with the City are held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the custody agreements. The Port had \$373,311 and \$348,052 invested in the City Investment Pool on June 30, 2018 and 2017, respectively.

The carrying amount of the Port's deposits in escrow was held with two separate banks and totals \$2,284 as of June 30, 2018 and \$3,680 as of June 30, 2017. Of this amount, bank balances and escrow deposits of \$250 at each bank on June 30, 2018 and on June 30, 2017, are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance of \$1,784 as of June 30, 2018 and \$3,180 as of June 30, 2017, was exposed to custodial credit risk by not being insured or collateralized.

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Concentration of Credit Risk

The Trust Indentures place no limit on the amount the Port may invest in any one issuer.

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool. The City has adopted an investment policy that provides for the following:

- The maximum maturity for any one investment may not exceed 5 years.
- No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer except:
 - obligations of the United States government;
 - United States government sponsored enterprises;
 - insured certificates of deposit;
 - local government investment pools; and
 - money market investment funds.
- Permitted investments include U.S. treasury securities, federal agency and instrumentalities, banker's acceptances, commercial paper, asset-backed commercial paper, local government investment pools, medium-term notes, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, certificates of deposit, money market mutual funds, state investment pool (Local Agency Investment Fund), local City/agency bonds and State of California obligations, and other local agency bonds. At the end of fiscal year 2015, the City expanded its definition of permitted investments to include dollar-denominated obligations issued by supranational organizations.
- All investments are to be secured through third party custody and safekeeping procedures. All securities purchased from dealers and brokers are held in safekeeping by the City's custodial bank, which establishes ownership by the City.

Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City Investment Pool is presented in the notes of the City's basic financial statements. Requests for financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 5330, Oakland, California 94612-2093.

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4. Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

	Beginning Balance July 1, 2017	Additions	Adjustments and Retirements	Transfers	Ending Balance June 30, 2018
Capital assets not being depreciated					
Land	\$ 523,382	\$ -	\$ -	\$ -	\$ 523,382
Intangibles (noise easements and air rights)	25,852	-	1	-	25,853
Construction in progress	143,257	125,032	(6)	(226,832)	41,451
Total capital assets not being depreciated	<u>692,491</u>	<u>125,032</u>	<u>(5)</u>	<u>(226,832)</u>	<u>590,686</u>
Capital assets being depreciated					
Buildings and improvements	852,273	-	-	133,908	986,181
Container cranes	148,697	-	-	7,000	155,697
Infrastructure	2,061,762	-	(25,621)	81,327	2,117,468
Software	13,842	-	2	-	13,844
Other equipment	99,980	1,713	(2,753)	4,597	103,537
Total capital assets being depreciated	<u>3,176,554</u>	<u>1,713</u>	<u>(28,372)</u>	<u>226,832</u>	<u>3,376,727</u>
Less accumulated depreciation for					
Buildings and improvements	(593,243)	(24,174)	-	-	(617,417)
Container cranes	(103,639)	(5,080)	-	-	(108,719)
Infrastructure	(917,387)	(76,689)	641	-	(993,435)
Software	(8,238)	(1,405)	-	-	(9,643)
Other equipment	(71,696)	(4,684)	2,751	-	(73,629)
Total accumulated depreciation	<u>(1,694,203)</u>	<u>(112,032)</u>	<u>3,392</u>	<u>-</u>	<u>(1,802,843)</u>
Total being depreciated, net	<u>1,482,351</u>	<u>(110,319)</u>	<u>(24,980)</u>	<u>226,832</u>	<u>1,573,884</u>
Total capital assets, net	<u>\$ 2,174,842</u>	<u>\$ 14,713</u>	<u>\$ (24,985)</u>	<u>\$ -</u>	<u>\$ 2,164,570</u>

For the year ended June 30, 2018, the Port recognized a loss on the disposal of assets and abandoned projects of \$5 consisting of \$3 of construction in progress and \$2 of net loss on the disposal of depreciable capital asset. Additionally, the Port recognized a net adjustment to infrastructure assets of \$24,981 to recognize as other non-operating expense, payments made to Union Pacific Railroad Company (UPRR) for the construction of railroad track and related assets by UPRR that are owned and operated by UPRR.

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Changes in Capital Assets (continued)

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

	Beginning Balance July 1, 2016	Additions	Adjustments and Retirements	Transfers	Ending Balance June 30, 2017
Capital assets not being depreciated					
Land	\$ 523,374	\$ -	\$ -	\$ 8	\$ 523,382
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	181,907	84,523	(3,166)	(120,007)	143,257
Total capital assets not being depreciated	<u>731,133</u>	<u>84,523</u>	<u>(3,166)</u>	<u>(119,999)</u>	<u>692,491</u>
Capital assets being depreciated					
Buildings and improvements	852,054	-	-	219	852,273
Container cranes	148,697	-	-	-	148,697
Infrastructure	1,943,951	-	(137)	117,948	2,061,762
Software	13,738	29	(1)	76	13,842
Other equipment	97,895	845	(516)	1,756	99,980
Total capital assets being depreciated	<u>3,056,335</u>	<u>874</u>	<u>(654)</u>	<u>119,999</u>	<u>3,176,554</u>
Less accumulated depreciation for					
Buildings and improvements	(571,379)	(21,864)	-	-	(593,243)
Container cranes	(98,820)	(4,817)	(2)	-	(103,639)
Infrastructure	(844,290)	(73,097)	-	-	(917,387)
Software	(6,837)	(1,401)	-	-	(8,238)
Other equipment	(67,122)	(5,076)	502	-	(71,696)
Total accumulated depreciation	<u>(1,588,448)</u>	<u>(106,255)</u>	<u>500</u>	<u>-</u>	<u>(1,694,203)</u>
Total being depreciated, net	<u>1,467,887</u>	<u>(105,381)</u>	<u>(154)</u>	<u>119,999</u>	<u>1,482,351</u>
Total capital assets, net	<u>\$ 2,199,020</u>	<u>\$ (20,858)</u>	<u>\$ (3,320)</u>	<u>\$ -</u>	<u>\$ 2,174,842</u>

For the year ended June 30, 2017, the Port recognized a loss on the disposal of assets and abandoned projects of \$2,869 consisting of \$2,892 of construction in progress and \$23 of cash received for fully depreciated assets. Additionally, \$428 of prior construction in progress was reclassified to other non-operating expense.

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5. Debt

Long-term debt consists of the following on June 30, 2018:

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	3.75-5.125%	2031	\$ 345,730	\$ 286,965	\$ -	\$ 12,935	\$ 274,030	\$ 14,565
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	368,995	-	5,280	363,715	-
Total Senior Lien Bonds			<u>726,045</u>	<u>655,960</u>	<u>-</u>	<u>18,215</u>	<u>637,745</u>	<u>14,565</u>
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	4,431	-	258	4,173	270
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	153,065	-	153,065	-	-
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	119,860	-	119,860	-	-
2007 Revenue Bonds Series C	5.00	2020	78,565	50,680	-	50,680	-	-
2017 Revenue Bonds Series D	5.00	2030	95,875	-	95,875	-	95,875	-
2017 Revenue Bonds Series E	3.00-5.00	2030	88,985	-	88,985	-	88,985	17,525
2017 Revenue Bonds Series F	5.00	2020	30,735	-	30,735	-	30,735	17,380
2017 Revenue Bonds Series G	1.65-3.30	2030	38,355	-	38,355	-	38,355	790
Total Intermediate Lien Bonds			<u>757,040</u>	<u>323,605</u>	<u>253,950</u>	<u>323,605</u>	<u>253,950</u>	<u>35,695</u>
Commercial Paper⁽¹⁾								
Series A, B, C Notes	0.84-2.07	2019	N/A	51,426	11,529	3,000	59,955	-
Series D, E, F Notes	0.84-1.80	2019	N/A	46,415	-	1,000	45,415	-
Total Commercial Paper				<u>97,841</u>	<u>11,529</u>	<u>4,000</u>	<u>105,370</u>	<u>-</u>
Sub-Total				1,081,837	265,479	346,078	1,001,238	50,530
Net unamortized bond premium (discount), net				<u>38,784</u>	<u>33,785</u>	<u>14,609</u>	<u>57,960</u>	<u>9,497</u>
Total Debt				<u>1,120,621</u>	<u>299,264</u>	<u>360,687</u>	<u>1,059,198</u>	<u>\$ 60,027</u>
Current maturities of long-term debt				<u>(58,403)</u>	<u>(60,027)</u>	<u>(58,403)</u>	<u>(60,027)</u>	
Total Debt - long-term portion				<u>\$ 1,062,218</u>	<u>\$ 239,237</u>	<u>\$ 302,284</u>	<u>\$ 999,171</u>	

⁽¹⁾ As of June 30, 2018, the Port was authorized to issue an aggregate principal amount of commercial paper notes up to \$200 million.

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Long-term debt consists of the following on June 30, 2017:

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	3.375-5.125%	2031	\$ 345,730	\$ 298,325	\$ -	\$ 11,360	\$ 286,965	\$ 12,935
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	368,995	-	-	368,995	-
Total Senior Lien Bonds			<u>726,045</u>	<u>667,320</u>	<u>-</u>	<u>11,360</u>	<u>655,960</u>	<u>12,935</u>
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	4,678	-	247	4,431	258
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	155,970	-	2,905	153,065	2,430
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	137,915	-	18,055	119,860	19,440
2007 Revenue Bonds Series C	5.00	2020	78,565	67,345	-	16,665	50,680	18,145
Total Intermediate Lien Bonds			<u>503,090</u>	<u>361,230</u>	<u>-</u>	<u>37,625</u>	<u>323,605</u>	<u>40,015</u>
Commercial Paper⁽¹⁾								
Series A, B, C Notes	0.42-1.01	2018	N/A	38,176	17,250	4,000	51,426	10
Series D, E, F Notes	0.44-0.95	2018	N/A	46,415	-	-	46,415	-
Total Commercial Paper				<u>84,591</u>	<u>17,250</u>	<u>4,000</u>	<u>97,841</u>	<u>10</u>
Sub-Total				1,117,819	17,250	53,232	1,081,837	53,218
Net unamortized bond premium (discount), net				44,367	(80)	5,503	38,784	5,185
Total Debt				<u>1,162,186</u>	<u>17,170</u>	<u>58,735</u>	<u>1,120,621</u>	<u>\$ 58,403</u>
Current maturities of long-term debt				<u>(54,822)</u>	<u>(58,403)</u>	<u>(54,822)</u>	<u>(58,403)</u>	
Total Debt - long-term portion				<u>\$ 1,107,364</u>	<u>\$ (41,233)</u>	<u>\$ 3,913</u>	<u>\$ 1,062,218</u>	

⁽¹⁾ As of June 30, 2017, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

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Debt Service

The Port's long-term debt and final maturity is identified in the schedules at the beginning of Note 5 and consists of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime and commercial real estate infrastructure. The majority of the Port's outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. Pledged revenues amounted to \$385,967 in fiscal year 2018 and \$361,338 in fiscal year 2017.

Pledged Revenues do not include cash received from PFCs or CFCs unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. The Port's required debt service payment for the outstanding long-term debt for the years ending June 30 are as follows:

Fiscal Year	Long-term Obligations		Commercial Paper⁽¹⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Ending						
2019	\$ 50,530	\$ 42,658	\$ -	\$ -	\$ 50,530	\$ 42,658
2020	52,997	40,189	35,123	6,293	88,120	46,482
2021	55,065	38,062	35,123	4,449	90,188	42,511
2022	57,543	35,644	35,124	1,639	92,667	37,283
2023	60,412	32,782	-	-	60,412	32,782
2024 -2028	342,934	115,813	-	-	342,934	115,813
2028- 2033	276,387	33,396	-	-	276,387	33,396
Total	\$ 895,868	\$ 338,544	\$ 105,370	\$ 12,381	\$ 1,001,238	\$ 350,925

(1) Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over three fiscal years, pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements, beginning when the current letters of credit expire on June 30, 2019.

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Types of Debt and Priority of Payment

Senior Lien Bonds

2011 Series O and 2012 Series P (collectively, the Senior Lien Bonds) were issued under the Senior Trust Indenture and are paid from Pledged Revenues first. As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in Federal Home Loan Bank Bond as of June 30, 2018 and Federal Home Loan Mortgage Corporation Notes as of June 30, 2017.

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenue (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125% of actual debt service for the Senior Lien Bonds (Senior Lien Debt Service Coverage Ratio).

California Department of Boating and Waterways (DBW) Loan

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. Only one DBW Loan remained outstanding with a balance of \$4,173 as of June 30, 2018 and \$4,431 as of June 30, 2017.

Intermediate Lien Bonds

Bonds issued under the Intermediate Trust Indenture are next in payment priority. As of June 30, 2018, the bonds issued under this indenture consist of the 2017 Series D, Series E, Series F, and Series G Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued on August 3, 2017 to refund the 2007 Series A, Series B, and Series C Bonds (Series 2007 Bonds, and combined with the Series 2017 Bonds, the Intermediate Lien Bonds). The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Series 2017 Bonds when due is secured by a reserve surety policy. Payment of principal and interest on the Series 2007 Bonds when due was also secured by a reserve surety policy, as well as a municipal bond insurance policy.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110% of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Service Coverage Ratio).

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Commercial Paper Notes

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a \$150,000 Commercial Paper program in 1998 and a further \$150,000 was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12%. The Port has classified the CP Notes as long term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT and taxable.

On June 13, 2017, the Port substituted its then-outstanding JPMorgan Chase Bank National Association (JPMorgan) LOC supporting its DEF Series of commercial paper notes, with a new LOC supported by Bank of America National Association (BANA) in the amount of \$54,438 (principal of \$50,000 and interest of \$4,438). This is equal to the prior JPMorgan LOC and represents the second LOC the Port has entered into with BANA. On June 13, 2016, the Port entered into an LOC with BANA amounting to \$163,315 (principal of \$150,000 and interest coverage of \$13,315) supporting its ABC Series of commercial paper notes. Both BANA LOCs expire on June 30, 2019. While the Port intends to extend or replace the BANA LOCs, in the event this does not occur by June 30, 2019, the Port may allow the commercial paper notes to be converted to term loans, pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements, that mature over three years beginning in fiscal year 2020.

As of June 30, 2018, the outstanding balance of CP Notes under the Port's ABC Series of CP was \$59,955, while the outstanding balance under the Port's DEF Series of CP was \$45,415.

The Port covenants in both of its LOC and Reimbursement Agreements with BANA that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110%.

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Priority of Payment

The following are the priority of payment tables:

	Maturity Date	Total Debt Service to Maturity	FY 2018 Debt Principal and Interest	FY 2018 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 180,422
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 380,124	\$ 27,340	
2012 Revenue Bonds Series P	5/1/2033	531,388	17,953	
Subtotal Senior Lien Bonds		<u>911,512</u>	<u>45,293</u>	(45,293)
Net Pledged Revenues Remaining after Sr. Lien				135,129
Dept. of Boating and Waterways Loan	8/1/2029	5,491	457	(457)
Net Pledged Revenues Remaining after DBW				134,672
Intermediate Lien Bonds:				
2007 Series A	N/A	-	4,372	
2007 Series B	N/A	-	21,162	
2007 Series C	N/A	-	18,847	
2017 Series D	11/1/2029	130,764	3,568	
2017 Series E	11/1/2029	108,351	3,251	
2017 Series F	11/1/2019	32,171	1,144	
2017 Series G	11/1/2029	46,123	808	
Subtotal Intermediate Lien Bonds		<u>317,409</u>	<u>53,152</u>	(53,152)
Net Pledged Revenues Remaining after Int. Lien				81,520
Commercial Paper Notes*		117,751	5,135	(5,135)
Net Pledged Revenues Remaining after CP Notes				\$ 76,385
Total		<u>\$ 1,352,163</u>	<u>\$ 104,037</u>	

* The Total Debt Service to Maturity for Commercial Paper includes principal (\$105.4 million) and interest (\$12.4 million) on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements. Of the \$105.4 million of Commercial Paper Notes outstanding, \$52.0 million are eligible to be paid from Passenger Facility Charges.

** Net Pledged Revenues are Revenues less Operation and Maintenance Expenses plus Interest Earned (not including interest earned on PFC and CFC funds of \$74 and \$79, respectively).

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Priority of Payment (continued)

	<u>Maturity Date</u>	<u>Total Debt Service to Maturity</u>	<u>FY 2017 Debt Principal and Interest</u>	<u>FY 2017 Net Pledged Revenues**</u>
Total Net Pledged Revenues				\$ 172,552
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 407,464	\$ 26,333	
2012 Revenue Bonds Series P	5/1/2033	558,032	18,032	
Subtotal Senior Lien Bonds		<u>965,496</u>	<u>44,365</u>	<u>(44,365)</u>
Net Pledged Revenues Remaining after Sr. Lien				128,187
Dept. of Boating and Waterways Loan	8/1/2029	5,948	457	<u>(457)</u>
Net Pledged Revenues Remaining after DBW				127,730
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	212,864	10,625	
2007 Series B	11/1/2029	147,192	24,390	
2007 Series C	11/1/2019	54,247	19,616	
Subtotal Intermediate Lien Bonds		<u>414,303</u>	<u>54,631</u>	<u>(54,631)</u>
Net Pledged Revenues Remaining after Int. Lien				73,099
Commercial Paper Notes*		110,752	4,613	<u>(4,613)</u>
Net Pledged Revenues Remaining after CP Notes				<u>\$ 68,486</u>
Total		<u>\$ 1,496,499</u>	<u>\$ 104,066</u>	

* The Total Debt Service to Maturity for Commercial Paper includes principal (\$97.8 million) and interest (\$12.9 million) on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements. Of the \$97.8 million of Commercial Paper Notes outstanding, \$40.4 million are eligible to be paid from Passenger Facility Charges.

** Net Pledged Revenues are Revenues less Operation and Maintenance Expenses plus Interest Earned (not including interest earned on PFC and CFC funds of \$27 and \$55, respectively).

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Bond Premium (Discount)

The Port amortizes the original issue discount or premium over the life of each bond issue. The unamortized amount for each Port issue is as follows:

<u>Bond Issue</u>	<u>2018 (Discount) Premium</u>	<u>2017 (Discount) Premium</u>
Senior Lien Bonds:		
2011 Series O	\$ 1,234	\$ 1,991
2012 Series P	28,612	31,890
Subtotal Senior Lien Bonds	<u>29,846</u>	<u>33,881</u>
Intermediate Lien Bonds:		
2007 Series A	-	2,357
2007 Series B	-	2,045
2007 Series C	-	502
2017 Series D	16,855	-
2017 Series E	10,361	-
2017 Series F	913	-
Subtotal Intermediate Lien Bonds	<u>28,129</u>	<u>4,904</u>
Commercial Paper	(15)	(1)
Total	<u>\$ 57,960</u>	<u>\$ 38,784</u>

6. Environmental and Other Liabilities

Changes in environmental and other liabilities for the years ended June 30, 2018 and 2017 are as follows:

	<u>Beginning Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Accrued vacation, sick leave and compensatory time	\$ 6,705	\$ 1,890	\$ (1,596)	\$ 6,999	\$ 6,399
Pollution liability (Note 13)	15,339	11,662	(9,247)	17,754	2,134
Workers' compensation (Note 14)	11,282	649	(1,270)	10,661	1,270
Lease terminal loss contingency	19,978	-	(1,981)	17,997	3,750
Other long-term liabilities	<u>3,516</u>	<u>350</u>	<u>(165)</u>	<u>3,701</u>	<u>-</u>
Total	<u>\$ 56,820</u>	<u>\$ 14,551</u>	<u>\$ (14,259)</u>	<u>\$ 57,112</u>	<u>\$ 13,553</u>
	<u>Beginning Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Accrued vacation, sick leave and compensatory time	\$ 6,511	\$ 1,738	\$ (1,544)	\$ 6,705	\$ 5,660
Pollution liability (Note 13)	15,062	4,315	(4,038)	15,339	3,256
Workers' compensation (Note 14)	12,249	312	(1,279)	11,282	1,280
Lease terminal loss contingency	22,308	-	(2,330)	19,978	5,300
Other long-term liabilities	<u>2,600</u>	<u>1,045</u>	<u>(129)</u>	<u>3,516</u>	<u>-</u>
Total	<u>\$ 58,730</u>	<u>\$ 7,410</u>	<u>\$ (9,320)</u>	<u>\$ 56,820</u>	<u>\$ 15,496</u>

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7. Leases

A major portion of the Port's capital assets are leased to others. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for years ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Minimum non-cancelable rentals, including preferential assignments	\$ 146,310	\$ 141,284
Contingent rentals in excess of minimums	43,422	36,939
	<u>\$ 189,732</u>	<u>\$ 178,223</u>

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows:

2019	\$ 155,665
2020	155,516
2021	157,011
2022	154,794
2023	139,968
2024-2028	545,261
2029-2033	177,868
2034-2038	119,760
2039-2043	59,780
2044-2048	55,038
2049-2053	61,836
Thereafter	500,540
	<u>\$ 2,283,037</u>

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Leases (continued)

The Port turned over the operation of its marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received for the years ending June 30 are as follows:

2019	\$	452
2020		465
2021		479
2022		493
2023		508
2024-2028		2,780
2029-2033		3,222
2034-2038		3,736
2039-2043		4,331
2044-2048		5,020
2049-2053		5,720
Thereafter		1,054
	\$	<u>28,260</u>

The capital assets leased to others at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 298,940	\$ 298,940
Container cranes	155,697	148,697
Buildings and improvements	195,555	182,843
Infrastructure	984,368	979,494
	<u>1,634,560</u>	<u>1,609,974</u>
Less accumulated depreciation	<u>(763,046)</u>	<u>(713,234)</u>
Net capital assets, on lease	\$ <u>871,514</u>	\$ <u>896,740</u>

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8. Unearned Revenue

Unearned revenue consists primarily a long-term financing lease for the marina operations; early redemption of special facilities bonds; prepayment of bond debt service for airline fuel facility and prepaid tenant rent.

Changes in unearned revenue for the years ended June 30, 2018 and 2017 are as follows

	Beginning			Ending		Amounts
	Balance			Balance		Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>One Year</u>	
Marina capital lease unearned interest revenue	\$ 18,540	\$ -	\$ (503)	\$ 18,037	\$	503
Oakland Fuel Facilities Corporation	7,546	150	(580)	7,116		580
Unearned tenant rent	5,831	6,712	(4,217)	8,326		6,928
Other unearned revenue	827	10	(113)	725		75
Total	<u>\$ 32,744</u>	<u>\$ 6,872</u>	<u>\$ (5,413)</u>	<u>\$ 34,204</u>	<u>\$</u>	<u>8,086</u>

	Beginning			Ending		Amounts
	Balance			Balance		Due Within
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>One Year</u>	
Marina capital lease unearned interest revenue	\$ 19,043	\$ -	\$ (503)	\$ 18,540	\$	503
92A Special Facility bond redemptions	6,304	-	(6,304)	-		-
Oakland Fuel Facilities Corporation	7,976	150	(580)	7,546		580
Unearned tenant rent	8,195	4,001	(6,365)	5,831		4,217
Other unearned revenue	1,029	-	(202)	827		103
Total	<u>\$ 42,547</u>	<u>\$ 4,151</u>	<u>\$ (13,954)</u>	<u>\$ 32,744</u>	<u>\$</u>	<u>5,403</u>

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9. Retirement Plans

CalPERS Miscellaneous Unit

Plan Description

All full-time and certain other qualifying employees of the Port are eligible to participate as members of the City of Oakland's Miscellaneous Unit of CalPERS (Miscellaneous Plan). The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the annual financial report are available on the CALPERS website at www.CalPERS.ca.gov under Forms and Publications or may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

A separate report for the City's Miscellaneous Plan within CalPERS is not available. As a department of the City, the Port shares benefit costs with the City. The Port presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City.

Benefits Provided

The Miscellaneous Plan provides service retirement, disability retirement, and death benefits based on the employee's years of service, age at retirement and final compensation. An employee becomes eligible for service retirement upon retirement age and with at least 5 years of CalPERS credited service. Final compensation is the monthly average of the employee's highest one-year or three-year consecutive months' full-time equivalent salary. The service retirement benefit is a monthly allowance for life equal to the product of the benefit factor, years of service and final compensation. The benefit factor varies based on the employee's date of hire and age at retirement.

The Miscellaneous Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Hire date		
	Prior to 6/9/2012	6/9/2012 through 12/31/12	On or After 1/1/2013⁽¹⁾
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0%-2.7%	2.0%-2.5%	1.0%-2.5%
Required employee contribution rates	8.00%	8.00%	6.75%-8.00%
Required employer contribution rates 2017	34.224%	34.224%	32.994-34.224%
Required employer contribution rates 2018 ⁽²⁾	11.081%	11.081%	9.831-11.081%

(1) For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

(2) For fiscal year ended June 30, 2017, the required employer contribution rate included an allocation for funding the Miscellaneous Plan's unfunded liability. Beginning July 1, 2017, the annual employer required contribution to fund the Miscellaneous Plan's unfunded liability was established as a fixed dollar amount and therefore excluded from the required contribution rate.

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Benefits Provided (continued)

Cost-of-living adjustments are paid the second calendar year of retirement and every year thereafter up to a maximum of 2% per year.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 5 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total Miscellaneous Plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The City and the Port are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. During the fiscal year ended June 30, 2018 and 2017, the Port paid contributions to the Miscellaneous Plan of \$19,253 and \$18,906, respectively

CalPERS Safety Unit – Special Agreement with the City of Oakland

During the period from July 1, 1976, through January 17, 1998 (employment period), the Port appointed certain employees to positions in the classifications of Airport Servicemen and Airport Operations Supervisors. The Port was and has always been the employer that directly appointed, retained, employed and compensated the personnel in these positions.

As result of a decision by CalPERS' Board of Administration on April 15, 1998, employees appointed to positions in the classifications of Airport Servicemen and Airport Operations Supervisors were reclassified from the Miscellaneous Unit member status in CalPERS to Safety Unit member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976.

The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits earned during the employment period. CalPERS' actuary estimated that the present value of this net cost (including subsequent actual experience through June 30, 2000, and projected experience through June 30, 2002) was \$5,915.

The Port entered into an agreement with the City for the payment of this net cost by the Port directly to CalPERS. The agreement provides for the Port to make payments over 20 years in annual installments, with interest at 4.34% and adjusted for cost of living at a rate of 3.75%. Under this agreement the Port's obligation will not fluctuate based on the recognition of market gains or losses, changes in the actuarial assumptions, or experiences that differ from the actuary projections. The Port's obligation will remain fixed until paid in full.

For the years ended June 30, 2018 and 2017, the Port recognized principal payments of \$524 and \$458, respectively, for the Safety Unit obligation.

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For fiscal years ended June 30, 2018 and 2017, the Port reported total net pension liability as follows:

	<u>2018</u>	<u>2017</u>
City's Miscellaneous plan - proportion share	\$ 219,306	\$ 200,186
Safety plan - remaining obligation	<u>3,435</u>	<u>3,892</u>
Total net pension liability	<u>\$ 222,741</u>	<u>\$ 204,078</u>

The City's Miscellaneous Plan's net pension liability was measured as of the measurement date listed in the table below for the respective fiscal year. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the valuation date listed in the table below and rolled forward to the measurement date using standard update procedures. The Port's proportionate share of the City's Miscellaneous Plan was determined based on the Port's employer contributions divided by the total employer contributions for the respective measurement period.

	<u>2018</u>	<u>2017</u>
Measurement date	6/30/2017	6/30/2016
Valuation date	6/30/2016	6/30/2015
Measurement period	7/1/16-6/30/17	7/1/15-6/30/16
Proportionate share	24.80%	24.80%

For the years ended June 30, 2018 and 2017, the Port recognized pension expense including amortization of deferred outflow/inflow related pension items of \$27,855 and \$15,560, respectively. At June 30, 2018 and 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 22,802	\$ -	\$ -	\$ 3,009
Net difference between projected and actual earnings on pension plan investments	6,073	-	22,378	-
Change in proportionate share	-	-	-	-
Net differences between expected and actual experience	-	2,565	-	3,231
Pension contributions subsequent to the measurement date	19,777	-	19,364	-
	<u>\$ 48,652</u>	<u>\$ 2,565</u>	<u>\$ 41,742</u>	<u>\$ 6,240</u>

The pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent measurement year.

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred inflows of resources, will be amortized annually and recognized as an increase or (reduction) to pension expense, for the years ending June 30 as follows (in thousands):

2019	\$	9,836
2020		17,220
2021		2,567
2022		<u>(3,313)</u>
	\$	<u>26,310</u>

Actuarial Methods and Assumptions

For fiscal years ended June 30, 2018 and 2017, the pension liability was determined by rolling forward the total pension liability from the valuation date to the measurement date. The total pension liabilities were based on the following actuarial methods and assumptions for each measurement date:

	2018	2017
Measurement date	6/30/2017	6/30/2016
Valuation date	6/30/2016	6/30/2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.50% net of pension plan investements and administrative expenses; includes inflation	7.65% net of pension plan investements and administrative expenses; includes inflation
Mortality Rate Table ¹	Based on the 2014 CalPERS Experience Study from 1997 to 2011	Based on the 2010 CalPERS Experience Study from 1997 to 2007
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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Actuarial Methods and Assumptions (continued)

All other actuarial assumption used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website at www.calpers.ca.gov under Form and Publications.

Discount Rate

The discount rates used to measure the total pension liability as of June 30, 2018 and 2017 was 7.15% and 7.65%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, CalPERS determined that the discount rates of 7.15% and 7.65% were appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of the benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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Discount Rate (continued)

The table below reflects long-term expected real rate of return, by asset class, used for the June 30, 2016 valuation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10⁽¹⁾</u>	<u>Real Return Years 11+⁽²⁾</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)
Total	<u>100.0%</u>		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

The table below reflects long-term expected real rate of return, by asset class, used for the June 30, 2015 valuation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10⁽¹⁾</u>	<u>Real Return Years 11+⁽²⁾</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension liability as of the June 30, 2018 and 2017 measurement dates calculated using the current discount rate, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
As of June 30, 2017 measurement date Port's proportionate share of the City's Miscellaneous plan net pension liability	\$302,152	\$219,306	\$150,415
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
As of June 30, 2016 measurement date Port's proportionate share of the City's Miscellaneous plan net pension liability	\$272,412	\$200,186	\$137,037

10. Other Postemployment Benefits

Plan Description

The Port has established a Retiree Healthcare Plan and participates in the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (OPEB) costs.

The Port's Retiree Healthcare Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. Additionally, through the Port's Retiree Health Plan, employees hired before October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)) are eligible to receive dental and vision benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive PERS retirement benefits. On July 21, 2011, the Port adopted resolutions that established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW). The vesting schedule does not apply to employees that are granted a disability retirement.

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Plan Description (continued)

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least 5 of which are with the City/Port. The Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	% of Employer Contributions
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20 or more	100

Employees Covered

As of the June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the Port's Retiree Healthcare Plan:

Active Employees	461
Inactive employees or beneficiaries currently receiving benefits	575
Total	1,036

Contributions

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The annual contribution is based on the actuarially determined contribution. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of the CERBT fund, and funds the remaining actuarially determined contribution (ADC) to the CERBT fund. For the fiscal year ended June 30, 2018, the Port's cash contributions totaling \$14,732 consisted of \$7,737 in payments to third parties, \$5,500 paid to the CERBT fund, and the estimated implied subsidy of \$1,495.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the year ended June 30, 2018, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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Net OPEB Liability

The Port's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
Inflation	2.50%
Salary Increases	3.0% per annum
Investment Rate of Return	6.75% net of investment expenses
Mortality, Termination and Disability ⁽¹⁾	Based on the 2014 CalPERS Experience Study covering data from 1997 to 2011
Healthcare Trend Rate ⁽²⁾	3.5-6.25% per year increase for medical and 4.0% per year increase for vision and dental

⁽¹⁾The mortality table used was developed based on CalPERS' specific data. The table includes a margin for mortality improvement based on Scale BB projected to 2032. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

⁽²⁾Based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical care.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Arithmetic Nominal Return (50 yrs)⁽¹⁾</u>
Global Equity	57.0%	7.92%
U.S. Fixed Income	27.0	6.83
Treasury Inflation-Protected Securities	5.0	3.95
Real Estate Investment Trust	8.0	7.46
Commodities	3.0	5.37
Total	<u>100.0%</u>	

⁽¹⁾ Rates include a 2.5% long-term inflation assumption.

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Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Port contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Port's Retiree Healthcare Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance as of June 30, 2017	\$ 164,654	\$ 54,770	\$ 109,884
Changes recognized for the measurement period:			
Service cost	4,055	-	4,055
Interest on the total OPEB liability	11,089	-	11,089
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	-	-
Changes in assumptions	-	-	-
Benefit payments	(9,000)	(9,000)	-
Contribution from employer	-	15,400	(15,400)
Net investment income	-	5,773	(5,773)
Administrative expense	-	(22)	22
Total changes	<u>6,144</u>	<u>12,151</u>	<u>(6,007)</u>
Balance as of June 30, 2018	<u>\$ 170,798</u>	<u>\$ 66,921</u>	<u>\$ 103,877</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Port if it were calculated using a discount rate that is one percentage point lower to one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	<u>\$125,311</u>	<u>\$103,877</u>	<u>\$85,050</u>

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Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Port if it were calculated using healthcare cost trend rates that are one percentage point lower to one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in Healthcare Costs Trend Rate
Net OPEB Liability	\$84,786	\$103,877	\$126,892

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Port recognized OPEB expense of \$10,885. The Port reported deferred outflows of resources related to OPEB from the following sources as of June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ -	\$ 1,492
OPEB contributions subsequent to the measurement date	14,732	-
	\$ 14,732	\$ 1,492

The net difference between projected and actual earnings on OPEB plan investments are recognized over a five year period. The remaining gains and losses are amortized over the expected average remaining service lifetime for all active and inactive members. The expected average service lifetime is 3.91 years.

The OPEB contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources, will be amortized annually and recognized as an increase or (reduction) to OPEB expense, for the years ending June 30 as follows:

2019	\$	(373)
2020		(373)
2021		(373)
2022		(373)
	\$	(1,492)

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OPEB Disclosure under GASB 45 for the Year Ended June 30, 2017

The Port's OPEB cost during fiscal year ended June 30, 2017 is equal to (a) an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 (ARC), plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a "closed" period of 30 years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT and changes in the Port's net OPEB obligation as of June 30:

	2017
Annual required contribution	\$ 13,725
Interest on prior year net OPEB obligation	708
Adjustment to annual required contribution	<u>(779)</u>
Annual OPEB Cost	13,654
Contribution made	<u>(13,796)</u>
Increase (decrease) in net OPEB obligation	(142)
Net OPEB obligation - beginning of year	<u>10,121</u>
Net OPEB obligation - end of year	<u>\$ 9,979</u>

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 12,780	101.29%	\$ 10,249
6/30/2016	\$ 13,653	100.94%	\$ 10,121
6/30/2017	\$ 13,654	101.04%	\$ 9,979

The table below indicates the funded status of the Port's OPEB plan as of June 30, 2015, the most recent actuarial valuation date:

Actuarial Accrued Liability (AAL)	\$ 157,351
Actuarial Value of Plan Assets	<u>(47,870)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 109,481</u>
Funded Ratio (actuarial value of plan assets/AAL)	30.4%
Annual Covered Payroll (active plan members)	\$ 50,093
UAAL as a Percentage of Annual Covered Payroll	219%

The ARC was based on an actuarial valuation of the Port's plan as of June 30, 2015 for fiscal year 2017. In determining the ARC, the UAAL was amortized as a level dollar amount over 30 years on a "closed" basis beginning June 30, 2013. There are 26 years remaining as of June 30, 2017. Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual healthcare cost trends, which is based on the "Getzen" model published by the Society of Actuaries. The June 30, 2015 actuarial valuation used a discount rate of 7.0%, annual healthcare costs were assumed to increase at rates ranging from 2.75% to 8.25%, and a general inflation rate of 2.5% was used.

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11. Agreements with City of Oakland

The Port has entered into agreements with the City for provisions of various services such as aircraft rescue and firefighting (ARFF), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, city clerk, legislative programming, and treasury services. General Services include fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services include items such as recreation services, grounds maintenance, security, and lighting.

Port payments to the City for these services are made upon presentation of supporting documentation and authorizations from the Board.

Special Services and ARFF

Payments for Special Services and ARFF are treated as a cost of Port operations pursuant to City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services and ARFF from the City totaled \$6,480 and \$7,457 in fiscal years 2018 and 2017, respectively, and are included in Operating Expenses. At June 30, 2018 and 2017, \$6,210 and \$7,156, respectively, were accrued as current liabilities for these payments.

General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2018, and 2017, the Port accrued approximately \$1,331 and \$1,270, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,134 and \$1,109 to reimburse the City for Lake Merritt Trust Services in fiscal years 2018 and 2017, respectively. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Trust Services.

Unearned Rent

In November 1994, the City entered into an agreement with the Port to partially fund the development of a project related to a lease at the Port. The lease required \$5,145 in tenant improvements partially financed by \$2,000 in deferred rent from the City's former Redevelopment Agency. The unearned rent is classified as unearned revenue. At June 30, 2018 and 2017, unearned rent was approximately \$523 and \$593, respectively. The amount classified as short term unearned revenue at June 30, 2018 and 2017 was \$70.

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12. Commitments

Capital Program

As of June 30, 2018, the Port had construction commitments for the acquisition and construction of assets as follows:

Aviation	\$	82,127
Maritime		<u>14,527</u>
Total	\$	<u><u>96,654</u></u>

The most significant projects for which the Port has contractual commitments for construction are the Runway 12/30 Rehabilitation project for \$46,091, the International Arrivals Building upgrades for \$16,447 and the Rail Infrastructure at the Maritime Support Center for \$10,987.

Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has three power purchase agreements with the East Bay Municipal Utility District (EBMUD), the Western Area Power Administration (WAPA) and SunE H3 Holdings, LLC (“SunE”) with expiration dates greater than two years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Annual Output	Estimated Annual Cost
EBMUD	2022	Take and Pay – (Pay contract price only if energy is received)	8,000 MWH	Approx. \$584,000 with no Annual Escalator through 2017; Approx. \$464,000 with no Annual Escalator from 2017-2022
WAPA	2024	Take or Pay – (Pay contract price without regard to energy received)	17,000 MWH	Approx. \$800,000 (Changes annually depending on revenue requirement for power generation projects)
SunE Formerly SunEdison	2027	Take and Pay – (Pay contract price only if energy is received)	1,200 MWH	Approx. \$200,000 with Annual Escalator

In addition to the aforementioned power purchase agreements, as of June 30, 2018, the Port held multiple forward power purchase contracts totaling approximately \$3,300 with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2020.

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13. Contingencies

Environmental

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under the California Environmental Quality Act, permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission, and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included as Environmental and other liability on the statements of net position at June 30, 2018 and 2017, is as follows:

<u>Obligating Event</u>	2018 Liability, net of recovery	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 3,042	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	12,904	304
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	1,808	-
Total by Obligating Event	<u>\$ 17,754</u>	<u>\$ 304</u>

<u>Obligating Event</u>	2017 Liability, net of recovery	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 1,525	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	11,322	2
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	2,492	-
Total by Obligating Event	<u>\$ 15,339</u>	<u>\$ 2</u>

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events include: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; or 2) the Port has commenced, or legally obligates itself to commence, clean-up activities, monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

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Environmental (continued)

Methods and Assumptions

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and post remediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

Recoveries

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

Litigation

The Port at various times is a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses, if incurred. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel.

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Grants

Certain grants that the Port receives are subject to audit and financial acceptance by the granting agency based upon reviews of costs incurred and submitted for reimbursement or demonstrated Port match. The Port's management does not believe that such audits will have a material impact on the financial statements

On October 26, 2016, the Port received a negotiated indirect rate agreement with final rates for fiscal year ended June 30, 2013 and provisional rates for fiscal years ended June 30, 2014 and 2015. On June 19, 2018, the Port received a negotiated rate agreement with final rates for the fiscal years ended June 30, 2014 and 2015 as provided for under the U.S. Management and Budget Circular *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Beginning July 1, 2015, the Port has chosen not to claim indirect cost reimbursement for Federal grants.

For the year ended June 30, 2017 the Port recognized a reduction in capital contributions of \$3,061 for the reconciliation of indirect costs and fringe benefits based on the newly established final rates.

14. Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobiles liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public official's liability. Port deductibles for the various insured programs range from \$10 to \$1,000 each claim. The Port is self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party exposures. During fiscal years 2018 and 2017, the Port carried excess insurance over \$1,000 for the self-insured general liability and workers' compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

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Workers' Compensation

Changes in the reported liability, which is included as part of environmental and other, follows:

Workers' compensation liability at June 30, 2015	12,661
Current year changes in estimates	876
Claim payments	<u>(1,288)</u>
Workers' compensation liability at June 30, 2016	12,249
Current year changes in estimates	312
Claim payments	<u>(1,279)</u>
Workers' compensation liability at June 30, 2017	11,282
Current year changes in estimates	649
Claim payments	<u>(1,270)</u>
Workers' compensation liability at June 30, 2018	<u>\$ 10,661</u>

The workers' compensation liability of \$10,661 at June 30, 2018 is based upon an actuarial study performed as of June 30, 2018 that assumed a probability level of 80% and a discount rate of 0.0%. The workers' compensation liability balance of \$11,282 at June 30, 2017 is based upon an actuarial study performed as of June 30, 2017 that assumed a probability level of 80% and a discount rate of 0.0%.

Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Owner Protective Professional Indemnity Insurance Program (OPPI) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently \$250 for each general liability and workers' compensation claim.

The OPPI protects the Port from the potential error and omission of consultants working on Port CIP projects. Consultants must meet minimum insurance requirements of \$1,000 to \$2,000. If minimum insurance is not provided or the consultants do not respond, the Port would be responsible for a \$100 self-insured retention. There is no actuarial forecast for this coverage.

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15. Gain on Long Term Lease Termination

92A Special Facility Bond Redemptions

In 1992 the Port issued special facilities bonds in connection with a Preferential Assignment Agreement for Berth 30 with Mitsui that obligated Mitsui to pay the debt service on these bonds. The debt service payments were recognized as rental income over the lease term. In 2004 the Port was instructed by Mitsui to call all outstanding bonds and paid the Port \$34,090 to fund the early redemption. The payment from Mitsui was being amortized over the remaining lease term through 2019. The lease agreement was then assigned to TraPac, an affiliate of Mitsui. In October 2016, TraPac entered into a new lease agreement with the Port that terminated the original lease agreement in its entirety, effective November 1, 2016, and established an independent contract directly with TraPac with new terms and conditions. In fiscal year 2017, the Port recognized a gain on the lease termination for the unamortized 92A Special Facility Bond Redemptions at November 1, 2016 of \$5,526, as non-operating revenue.

Outer Harbor Terminal Closure

On February 1, 2016, Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) (“OHT”) filed for Chapter 11 bankruptcy protection. At that time OHT held a 50-year lease with the Port to operate at Berths 20-24, a month to month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berth 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance. As of June 30, 2018 and 2017, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately \$17,997 and \$19,978, respectively.

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PORT OF OAKLAND

**REQUIRED SUPPLEMENTARY
INFORMATION
(Unaudited)**

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Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability*
(dollar amounts in thousands)

City of Oakland CalPERS Miscellaneous Unit - Pension Plan

Fiscal year	2015	2016	2017	2018
Measurement date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Proportion of the net pension liability	24.86%	25.00%	25.00%	24.80%
Covered-employee payroll (measurement period)	\$ 52,466	\$ 54,196	\$ 56,036	\$ 58,516
Proportionate share of net pension liability	\$ 160,287	\$ 172,915	\$ 200,186	\$ 219,306
Proportionate share of net pension liability as a percentage of covered-employee Payroll	305.51%	319.05%	357.25%	374.78%
Plan fiduciary net position	\$ 1,704,213	\$ 1,693,857	\$ 1,651,356	\$ 1,787,314
Total pension liability	\$ 2,348,972	\$ 2,385,421	\$ 2,452,219	\$ 2,671,613
Plan fiduciary net position as a percentage of total pension liability	72.55%	71.01%	67.34%	66.90%

Notes:

*Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a Golden Handshakes).

Change in assumptions - In fiscal year 2015 the discount rate used was 7.50%, net of administrative expenses. In fiscal year 2016 the discount rate was changed to 7.65%, without a reduction for pension plan administrative expenses. In fiscal year 2017 there were no changes. In fiscal year 2018 the discount rate used was changed to 7.15%.

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplemental Information (Unaudited)
Schedule of Pension Contributions*
For the fiscal year ended June 30
(dollar amounts in thousands)

City of Oakland CalPERS Miscellaneous Unit - Pension Plan

Fiscal year	2015	2016	2017	2018
Actuarially determined contribution (ADC)	\$ 14,735	\$ 15,989	\$ 18,906	\$ 19,253
Contributions in relation to the ADC	(14,735)	(15,989)	(18,906)	(19,253)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (for the fiscal year)	\$ 54,196	\$ 56,036	\$ 58,516	\$ 61,326
Contributions as a percentage of covered-employee payroll	27.19%	28.53%	32.31%	31.39%

Notes:

*Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2018 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Asset valuation method	In fiscal year 2015 and 2016 the Actuarial value of assets was used. In fiscal year 2017 and 2018 the market value of assets was used.
Inflation	2.75%
Salary increases	Varies by entry age and services
Payroll growth	3.00%
Investment Rate of return	7.50%, net of administrative expenses, includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplemental Information (Unaudited)
Schedule of Changes in the Net OPEB Liability and Related Ratios*
For the measurement period ended June 30
(dollar amounts in thousands)

<i>Measurement Period</i>	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 4,055
Interest on the total OPEB liability	11,089
Benefit payments	<u>(9,000)</u>
Net change in total OPEB liability	6,144
Total OPEB liability - beginning	164,654
Total OPEB liability - ending (a)	<u><u>\$ 170,798</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 15,400
Net investment income	5,773
Benefits payments	(9,000)
Administrative expense	<u>(22)</u>
Net change in plan fiduciary net positions	12,151
Plan fiduciary net position - beginning	54,770
Plan fiduciary net position - ending (b)	<u><u>\$ 66,921</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 103,877</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	39.18%
 Covered-employee payroll (for the measurement period)	\$ 58,516
Net OPEB liability as a percentage of covered-employee payroll	56.33%

Note:

*Historical information is required only for measurement periods for which GASB 75 is applicable. Fiscal year ended June 30, 2018 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplemental Information (Unaudited)
Schedule of OPEB Contributions*
For the fiscal year ended June 30
(dollar amounts in thousands)

		2018
Actuarially Determined Contribution (ADC)	\$	13,203
Contribution in relation to the ADC		(14,732)
Contribution deficiency/(excess)	\$	(1,529)
Covered-employee payroll (for the fiscal year)	\$	61,326
Contributions as a percentage of covered-employee payroll		24.02%

Notes:

*Historical information is required only for measurement periods for which GASB 75 is applicable. Fiscal year ended June 30, 2018 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2018 were from the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	30 year level dollar amount on a "closed" basis
Asset Valuation Method	Market Value
Inflation	2.50%
Payroll Growth	CalPERS salary scale for Miscellaneous employees hired at age 30
Investment Rate of Return	6.75% net of investment expense
Healthcare Cost-Trend Rates	Medical is based on the "Getzen" model published by the Society of Actuaries. Dental and Vision is based on an 4.0% increase per year.
Retirement Age and Mortality	Based on CalPERS Experience Study Report adopted in 2014 and includes a margin for mortality improvements based on Scale BB projected to 2032

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplemental Information (Unaudited)
Schedule of Funding Progress – Other Postemployment Benefits
For the fiscal year ended June 30
(dollar amounts in thousands)

The schedule of funding progress provides a consolidated snapshot of the Port’s ability to meet current and future liabilities with plan assets. The funded ratio conveys a plan’s level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status; the better position it will be in to meet all of its future liabilities.

An actuarial valuation study performed as of June 30, 2015 valued the Actuarial Accrued Liability at \$157,351 an increase of \$20,735 from the previous study performed as of June 30, 2013.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2011	\$ 19,145	\$ 128,906	\$ 109,760	14.90%	\$ 44,627	246%
6/30/2013	30,715	136,616	105,901	22.50%	47,823	221%
6/30/2015	47,870	157,351	109,481	30.40%	50,093	219%

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PORT OF OAKLAND

**OTHER SUPPLEMENTARY
INFORMATION**

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Port of Oakland
(A Component Unit of the City of Oakland)
Supplementary Information - Schedule of Revenues and Expenses by Business Line
For the years ended June 30, 2018 and 2017
(dollar amounts in thousands)

	2018				2017			
	Aviation	Maritime	Commercial Real Estate	Total	Aviation	Maritime	Commercial Real Estate	Total
Operating revenues:								
Lease rentals - terminal	\$ 59,538	\$ 112,526	\$ -	\$ 172,064	\$ 50,521	\$ 108,710	\$ -	\$ 159,231
Lease rentals - other	30,790	25,198	13,792	69,780	30,505	23,260	13,235	67,000
Parking fees and ground access	43,400	7,422	2,597	53,419	40,867	6,916	2,645	50,428
Landing fees	37,001	-	-	37,001	33,261	-	-	33,261
Terminal concessions	22,775	-	-	22,775	24,563	-	-	24,563
Utility sales	4,301	10,989	101	15,391	4,359	9,741	102	14,202
Rail terminal rent	-	3,173	-	3,173	-	3,065	-	3,065
Fueling	2,414	-	-	2,414	2,422	-	-	2,422
Other	4,074	150	770	4,994	4,159	(315)	691	4,535
Total operating revenues	204,293	159,458	17,260	381,011	190,657	151,377	16,673	358,707
Operating expenses:								
Personnel services, materials, services supplies, and other	55,011	15,478	5,430	75,919	50,875	16,270	5,540	72,685
Maintenance and engineering	34,753	26,114	684	61,551	31,243	24,376	624	56,243
Marketing and public relations	3,822	1,453	589	5,864	4,530	1,899	380	6,809
Administration and general services	11,733	6,800	2,188	20,721	9,586	4,184	1,831	15,601
Utilities	5,682	5,831	508	12,021	5,163	5,055	400	10,618
Security, police and fire	27,188	1,355	926	29,469	24,901	1,070	859	26,830
Depreciation	55,188	54,334	2,510	112,032	50,293	53,448	2,514	106,255
Total operating expenses	193,377	111,365	12,835	317,577	176,591	106,302	12,148	295,041
Operating income	10,916	48,093	4,425	63,434	14,066	45,075	4,525	63,666
Non-operating revenues (expenses):								
Interest income	1,063	3,279	767	5,109	518	1,557	638	2,713
Interest expense	(6,844)	(32,392)	(459)	(39,695)	(9,023)	(37,757)	(915)	(47,695)
Customer facility charges revenue	5,525	-	-	5,525	6,010	-	-	6,010
Customer facility charges expenses	(4,678)	-	-	(4,678)	(4,531)	-	-	(4,531)
Passenger facility charges	25,903	-	-	25,903	24,520	-	-	24,520
Other income	212	201	6,474	6,887	652	219	126	997
Other expense	(1,497)	(27,185)	(214)	(28,896)	(802)	(1,970)	(69)	(2,841)
Grant income	324	-	-	324	232	769	-	1,001
Grant expenses	(324)	-	-	(324)	(232)	(769)	-	(1,001)
Gain on long term lease termination	-	-	-	-	-	5,526	-	5,526
Loss on disposal of capital assets	(5)	-	-	(5)	(126)	(2,743)	-	(2,869)
Total non-operating revenue (expenses), net	19,679	(56,097)	6,568	(29,850)	17,218	(35,168)	(220)	(18,170)
Increase/(decrease) in net position before capital contributions	30,595	(8,004)	10,993	33,584	31,284	9,907	4,305	45,496
Capital contributions - Grants from government agencies	45,051	5,121	-	50,172	11,184	2,510	-	13,694
Increase/(decrease) in net position	\$ 75,646	\$ (2,883)	\$ 10,993	\$ 83,756	\$ 42,468	\$ 12,417	\$ 4,305	\$ 59,190

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PORT OF OAKLAND

**STATISTICAL SECTION
(Unaudited)**

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PORT OF OAKLAND
(A Component Unit of the City of Oakland)

Statistical Section

This part of the comprehensive annual financial report for the Port of Oakland presents detailed information as a context for understanding the financial statements, note disclosures, and required supplementary information.

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Port of Oakland
(A Component Unit of the City of Oakland)
Net Position by Components
Last Ten Fiscal Years
(dollar amounts in thousands)

	<u>2009⁽¹⁾</u>	<u>2010</u>	<u>2011⁽²⁾</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽³⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽⁴⁾</u>
Net position:										
Net investment in capital assets	\$ 853,011	\$ 881,567	\$ 869,014	\$ 882,351	\$ 944,974	\$ 986,959	\$ 1,053,882	\$ 1,097,049	\$ 1,106,547	\$ 1,155,086
Restricted	21,357	11,677	17,187	20,553	14,178	10,072	12,066	14,840	22,392	10,457
Unrestricted	14,838	(2,258)	19,774	39,430	69,267	113,160	(26,190)	30,657	72,797	35,444
Total net position	<u>\$ 889,206</u>	<u>\$ 890,986</u>	<u>\$ 905,975</u>	<u>\$ 942,334</u>	<u>\$ 1,028,419</u>	<u>\$ 1,110,191</u>	<u>\$ 1,039,758</u>	<u>\$ 1,142,546</u>	<u>\$ 1,201,736</u>	<u>\$ 1,200,987</u>

Notes:

- (1) The beginning balance decreased \$6,680 due to the adoption of GASB 49.
- (2) The beginning balance decreased \$20,989 due to the adoption of GASB 65.
- (3) The beginning balance decreased \$182,324 due to the adoption of GASB 68.
- (4) The beginning balance decreased \$84,505 due to the adoption of GASB 75.

Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Revenues, Expenses and Changes in Net Position
Last Ten Fiscal Years
(dollar amounts in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues:										
Aviation	\$ 130,443	\$ 130,284	\$ 135,173	\$ 140,309	\$ 150,871	\$ 157,220	\$ 162,135	\$ 173,067	\$ 190,657	\$ 204,293
Maritime	140,739	143,344	151,854	152,988	151,869	152,657	158,684	148,772	151,377	159,458
Commercial real estate	12,108	11,597	10,956	12,841	12,778	13,163	15,768	16,198	16,673	17,260
Total operating revenues	<u>283,290</u>	<u>285,225</u>	<u>297,983</u>	<u>306,138</u>	<u>315,518</u>	<u>323,040</u>	<u>336,587</u>	<u>338,037</u>	<u>358,707</u>	<u>381,011</u>
Operating expenses:										
Aviation	161,542	152,099	152,086	152,064	150,461	153,989	161,489	165,344	176,591	193,377
Maritime	90,029	84,004	83,383	85,156	87,683	96,605	100,609	107,135	106,302	111,365
Commercial real estate	12,674	12,606	11,349	11,590	11,713	12,991	13,324	12,755	12,148	12,835
Total operating expenses ⁽¹⁾	<u>264,245</u>	<u>248,709</u>	<u>246,818</u>	<u>248,810</u>	<u>249,857</u>	<u>263,585</u>	<u>275,422</u>	<u>285,234</u>	<u>295,041</u>	<u>317,577</u>
Operating income	<u>19,045</u>	<u>36,516</u>	<u>51,165</u>	<u>57,328</u>	<u>65,661</u>	<u>59,455</u>	<u>61,165</u>	<u>52,803</u>	<u>63,666</u>	<u>63,434</u>
Non-operating revenues (expenses):										
Interest income	9,655	4,741	2,876	1,755	1,095	1,373	1,783	2,149	2,713	5,109
Interest expense	(78,415)	(74,624)	(70,714) ⁽⁵⁾	(66,798) ⁽⁵⁾	(59,598)	(53,977)	(51,636)	(49,889)	(47,695)	(39,695)
Loss on debt defeasance	-	(4,158)	-	-	-	-	-	-	-	-
Customer facility charges revenue	5,235	4,530	4,764	5,184	5,387	5,625	6,253	5,939	6,010	5,525
Customer facility charges expenses ⁽²⁾	-	-	-	-	-	(4,219)	(4,137)	(4,307)	(4,531)	(4,678)
Passenger facility charges	19,391	19,702	19,106	19,758	19,924	19,698	21,478	22,929	24,520	25,903
Grant income	-	-	-	-	-	-	3,874	1,419	1,001	324
Grant expenses	-	-	-	-	-	-	(3,874)	(1,419)	(1,001)	(324)
Other income (expenses)	(5,072)	292	1,438	(1,809)	3,668	(2,727)	3,176	3,744	(1,844)	(22,009)
Gain on lease termination	-	-	-	-	-	-	-	35,200	5,526	-
Gain (loss) on disposal of capital assets	(435)	(6,562)	-	(2,276)	12,052	(3,791)	84	(629)	(2,869)	(5)
Total net non-operating expenses	<u>(49,641)</u>	<u>(56,079)</u>	<u>(42,530)</u>	<u>(44,186)</u>	<u>(17,472)</u>	<u>(38,018)</u>	<u>(22,999)</u>	<u>15,136</u>	<u>(18,170)</u>	<u>(29,850)</u>
Change in net position before capital contributions	<u>(30,596)</u>	<u>(19,563)</u>	<u>8,635</u>	<u>13,142</u>	<u>48,189</u>	<u>21,437</u>	<u>38,166</u>	<u>67,939</u>	<u>45,496</u>	<u>33,584</u>
Capital contributions:										
Grants from government agencies	11,896	21,343	27,343	23,217	37,896	60,335	73,725	34,849	13,694	50,172
Total capital contributions	<u>11,896</u>	<u>21,343</u>	<u>27,343</u>	<u>23,217</u>	<u>37,896</u>	<u>60,335</u>	<u>73,725</u>	<u>34,849</u>	<u>13,694</u>	<u>50,172</u>
Change in net position	(18,700)	1,780	35,978	36,359	86,085	81,772	111,891	102,788	59,190	83,756
Net position, beginning of the year	907,906 ⁽³⁾	889,206	869,997 ⁽⁴⁾	905,975	942,334	1,028,419	927,867 ⁽⁶⁾	1,039,758	1,142,546	1,117,231 ⁽⁷⁾
Net position, end of the year	<u>\$ 889,206</u>	<u>\$ 890,986</u>	<u>\$ 905,975</u>	<u>\$ 942,334</u>	<u>\$ 1,028,419</u>	<u>\$ 1,110,191</u>	<u>\$ 1,039,758</u>	<u>\$ 1,142,546</u>	<u>\$ 1,201,736</u>	<u>\$ 1,200,987</u>

Notes:

(1) Total operating expenses include depreciation.

(2) Beginning in fiscal year 2016, expenses reimbursed by CFCs have been reclassified from operating to non-operating expenses. For comparative purposes, fiscal year 2014 and 2015 operating expenses have been restated to conform with fiscal year 2016 presentation.

(3) The beginning net position balance decreased by \$6,680 in fiscal year 2009 due to the adoption of GASB 49.

(4) The beginning net position balance decreased \$20,989 in fiscal year 2011 due to the adoption of GASB 65.

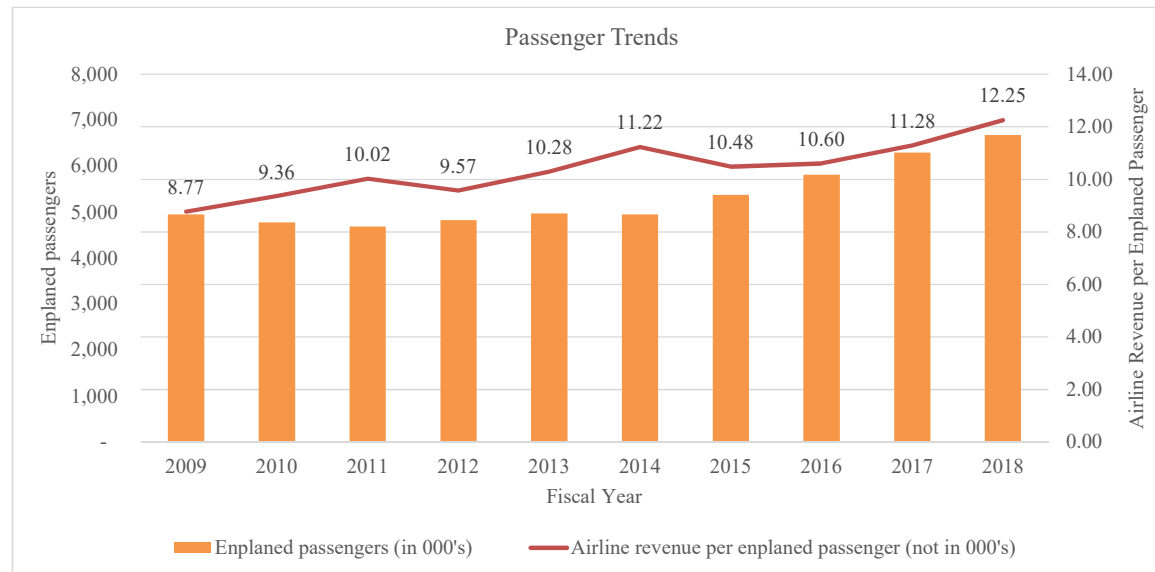
(5) Interest expense was increased by \$964 in fiscal year 2011 and decreased by \$1,088 in fiscal year 2012 due to the adoption of GASB 65.

(6) The beginning net position balance in fiscal year 2015 decreased \$182,324 due to the adoption of GASB 68.

(7) The beginning net position balance decreased \$84,505 in fiscal year 2018 due to the adoption of GASB 75.

Port of Oakland
 (A Component Unit of the City of Oakland)
Principal Revenue Sources and Airline Revenue per Enplaned Passenger
Last Ten Fiscal Years
 (dollar amounts in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Aviation revenues:										
Terminal rental ⁽¹⁾	\$ 26,263	\$ 25,497	\$ 27,364	\$ 26,501	\$ 31,232	\$ 35,657	\$ 36,194	\$ 41,719	\$ 47,555	\$ 56,064
Landing fees (excludes cargo airlines)	17,214	19,207	19,626	19,700	19,902	19,903	20,136	19,876	23,492	25,724
Total airline revenues	43,477	44,704	46,990	46,201	51,134	55,560	56,330	61,595	71,047	81,788
Concession	17,949	18,797	19,128	19,372	20,104	20,845	22,019	23,408	24,563	22,775
Parking & ground access	29,505	28,002	28,813	29,252	30,548	31,848	33,349	36,826	40,867	43,400
Lease rentals	21,005	19,776	20,707	24,272	26,779	26,635	28,572	29,836	30,505	30,790
Landing fees--cargo airlines	7,926	7,646	8,673	8,640	8,860	9,449	9,647	9,333	9,770	11,277
Aviation fueling	3,564	3,590	3,561	3,984	3,918	3,914	2,940	2,335	2,422	2,414
Utility sales	4,192	3,690	4,427	3,846	5,324	4,212	4,201	4,257	4,359	4,301
Other ⁽²⁾	2,824	4,078	2,873	4,740	4,205	4,758	5,077	5,475	7,125	7,548
Total revenues	\$ 130,442	\$ 130,283	\$ 135,172	\$ 140,307	\$ 150,872	\$ 157,221	\$ 162,135	\$ 173,065	\$ 190,658	\$ 204,293
Enplaned passengers (in 000's)	4,956	4,778 ⁽³⁾	4,688	4,826	4,973	4,950	5,374	5,812	6,296	6,677
Airline revenue per enplaned passenger (not in 000's)	\$ 8.77	\$ 9.36	\$ 10.02	\$ 9.57	\$ 10.28	\$ 11.22	\$ 10.48	\$ 10.60	\$ 11.28	\$ 12.25



Notes:

- (1) Terminal rentals are for airlines only. Non-airline terminal rental revenues are classified under "Other".
- (2) Includes non-airline terminal revenues, miscellaneous revenues and other field revenue.
- (3) The drop in commercial activities was due to loss of 7 airlines, namely American Airlines, Aloha Airlines, Continental Airlines, Express Jet, Skybus, ATA Airlines and TACA International Airlines.

Port of Oakland
(A Component Unit of the City of Oakland)
Aviation Statistics - South Airport
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
PASSENGERS										
Enplaned	4,955,743	4,777,514	4,687,878	4,825,802	4,973,107	4,949,628	5,374,187	5,812,058	6,296,349	6,676,712
Deplaned	4,968,042	4,780,661	4,679,699	4,817,753	4,977,749	4,940,643	5,380,369	5,802,787	6,297,022	6,680,091
Total	<u>9,923,785</u>	<u>9,558,175</u>	<u>9,367,577</u>	<u>9,643,555</u>	<u>9,950,856</u>	<u>9,890,271</u>	<u>10,754,556</u>	<u>11,614,845</u>	<u>12,593,371</u>	<u>13,356,803</u>
FREIGHT (in 000 lb)										
Inbound	568,696	516,536	536,601	532,724	529,605	563,601	581,482	575,796	582,548	651,641
Outbound	626,474	541,473	568,082	552,475	543,928	571,474	594,450	605,329	592,279	658,541
Total	<u>1,195,170</u>	<u>1,058,009</u>	<u>1,104,683</u>	<u>1,085,199</u>	<u>1,073,533</u>	<u>1,135,075</u>	<u>1,175,932</u>	<u>1,181,125</u>	<u>1,174,827</u>	<u>1,310,182</u>
TOTAL AIR CARGO (in 000 lb) (Freight & mail)	1,212,414	1,079,243	1,124,605	1,104,388	1,087,140	1,147,454	1,188,335	1,190,372	1,183,119	1,320,948
LANDED WEIGHT (in 000 lb) ⁽¹⁾										
Passenger carriers	6,873,516	6,328,081	5,957,187	6,076,945	6,090,830	5,946,026	6,247,035	6,670,725	7,347,655	7,833,331
Cargo carriers	3,158,521	2,494,619	2,624,269	2,634,870	2,691,589	2,832,982	2,978,823	3,173,690	3,136,160	3,519,152
Total	<u>10,032,037</u>	<u>8,822,700</u>	<u>8,581,456</u>	<u>8,711,815</u>	<u>8,782,419</u>	<u>8,779,008</u>	<u>9,225,858</u>	<u>9,844,415</u>	<u>10,483,815</u>	<u>11,352,483</u>
AIRCRAFT MOVEMENTS	122,028	114,327	106,260	107,652	102,470	100,384	104,592	112,037	112,763	120,518
PARKING										
Number of stalls ⁽²⁾	6,103	6,315	6,950	6,516	6,516	6,621	6,878	6,898	6,898	6,895
Average revenue per stall	\$3,991	\$3,605	\$3,391	\$3,688	\$3,900	\$4,016	\$4,203	\$4,544	\$4,856	\$4,883

Notes:

Oakland International Airport is comprised of the North and South Field. North Field handles general aviation and South Field handles commercial passengers and freight airlines.

(1) Includes non-revenue flights.

(2) Available parking stalls are increased or decreased due to market demand or to make space available for construction projects.

Port of Oakland
(A Component Unit of the City of Oakland)
Top Ten Individual Sources of Aviation Revenue
Fiscal Year 2018 and Fiscal Year 2009
(dollar amounts in thousands)

Fiscal Year 2018	Percent of Total Aviation		Fiscal Year 2009	Percent of Total Aviation	
	Revenue	Revenue		Revenue	Revenue
Southwest Airlines	\$ 52,820	25.9%	Southwest Airlines	\$ 29,325	22.5%
On-Airport Public Parking ⁽¹⁾	33,665	16.5%	On-Airport Public Parking ⁽²⁾	24,317	18.6%
Federal Express Corp.	20,704	10.1%	Federal Express Corp.	11,438	8.8%
Signature Flight Support Acquisition Co. LLC	7,139	3.5%	Avis Budget Group, Inc.	5,349	4.1%
HMS Host Corporation	6,016	2.9%	Hertz Corporation	4,559	3.5%
Alaska Airlines	5,972	2.9%	United Parcel Service	3,152	2.4%
Avis Budget Group, Inc.	5,258	2.6%	Alaska Airlines	2,754	2.1%
Enterprise Rent-A-Car	4,512	2.2%	Dollar Systems, Inc.	2,682	2.1%
United Parcel Service	4,510	2.2%	AirBART-Bay Area Rapid Transit	2,429	1.9%
Hertz Corporation	4,196	2.1%	Oakland Fuel Facilities Corp.	2,412	1.8%

Notes:

(1) Operated by LAZ Parking, beginning December 1, 2012

(2) Operated by Five Star Parking.

Port of Oakland
(A Component Unit of the City of Oakland)
Schedule of Airline Rates and Charges
Last Ten Fiscal Years

Rates & Charges for Period: ⁽¹⁾	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Landing Fees (per 1,000 lbs. MGLW)⁽²⁾</u>										
Basic Landing Rate	\$ 2.50	\$ 3.06	\$ 3.30	\$ 3.27	\$ 3.29	\$ 3.33	\$ 3.24	\$ 2.94	\$ 3.13	\$ 3.19
<u>Terminal Space Rental (per square foot per year)</u>										
Type1 - Ticket Counter	\$ 164.81	\$ 164.81	\$ 176.81	\$ 176.26	\$ 211.56	\$ 242.93	\$ 241.62	\$ 268.00	\$ 299.90	\$ 335.77
Type2 - Office Space	148.33	148.33	159.13	158.63	190.40	218.64	217.46	241.20	269.91	302.20
Type3 - Baggage Space ⁽³⁾	131.85	131.86	141.45	141.00	169.24	194.34	193.30	214.40	239.92	268.62
Type4 - Baggage Make-Up	115.37	115.37	123.77	123.39	148.10	170.06	169.13	187.60	209.93	235.04
Type5 - Ticket Counter (Others)	82.41	82.42	88.41	88.13	105.78	121.47	120.81	134.00	149.95	167.89
Type6 - Office Space (Others)	74.16	74.16	79.56	79.32	95.21	109.32	108.73	120.60	134.96	151.09
Type7 - Baggage Make-Up (Others)	57.68	57.68	61.88	61.69	74.05	85.03	84.57	93.80	104.97	117.52
<u>Primary Holdroom, Loading Bridge Rental (per holdroom per month)</u>										
Holdroom, Loading Bridge	\$ 31,269	\$ 32,801	\$ 36,006	\$ 36,080	\$ 41,907	\$ 46,835	\$ 46,794	\$ 54,479	\$ 56,491	\$ 61,651

Notes:

(1) Rates and charges are established at the beginning of each fiscal year and calculated using budgeted expenses for the forthcoming fiscal year.

(2) MGLW - Maximum Gross Landing Weight

(3) The baggage claim requirement is calculated by multiplying the Type 3 rate by the square footage of the baggage claim areas. The requirement is distributed among all airlines based on the number of enplaned passengers.

Port of Oakland
(A Component Unit of the City of Oakland)
Principal Revenue Sources and Maritime Revenue per TEU
Last Ten Fiscal Years
(dollar amounts in thousands)

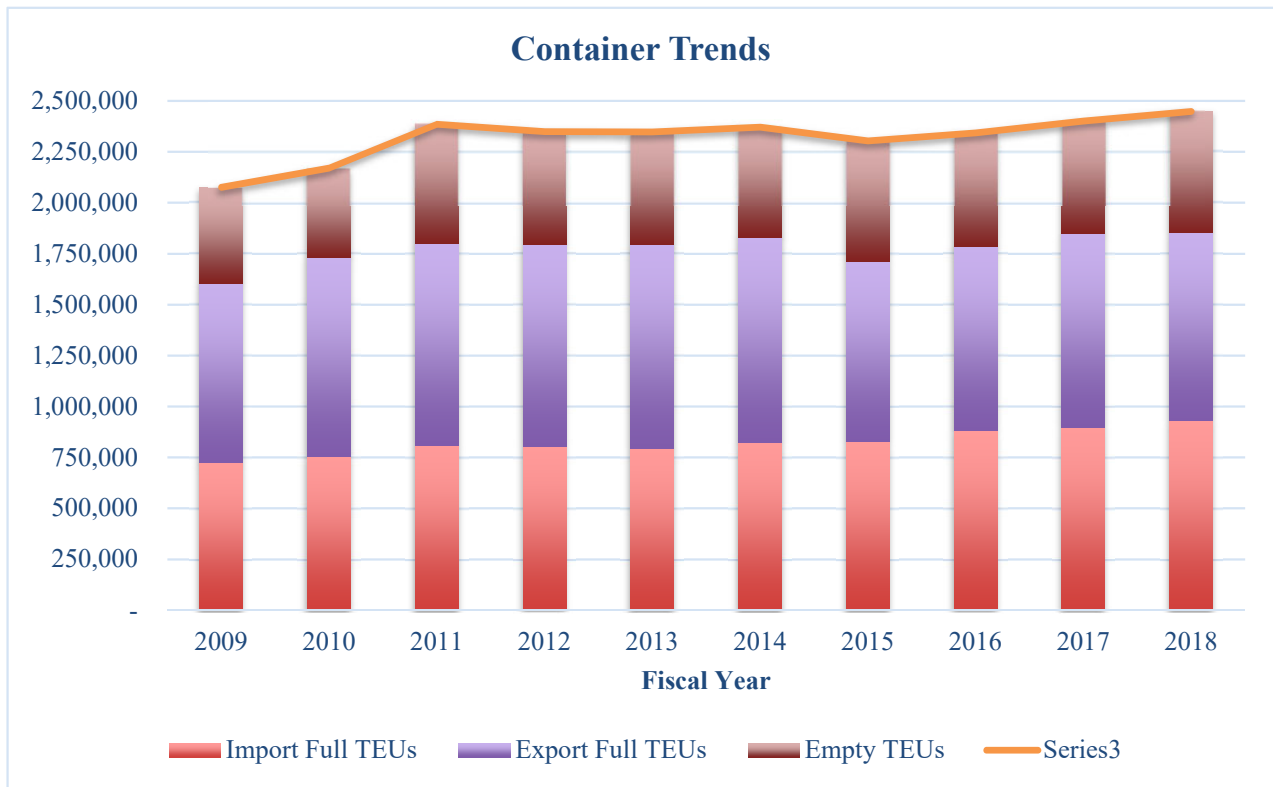
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Maritime revenues:										
Lease rentals - terminal	\$ 126,068	\$ 130,254	\$ 138,964	\$ 140,777	\$ 139,415	\$ 134,845	\$ 133,689	\$ 113,864	\$ 108,710	\$ 112,526
Lease rentals - other	8,553	6,961	5,771	5,726	6,518	8,665	12,984	17,335	23,260	25,198
Parking fees ⁽²⁾	-	-	-	-	-	-	-	6,137	6,916	7,422
Rail terminal rent ⁽³⁾	-	-	-	-	-	-	-	-	3,065	3,173
Other revenues	1,966	1,813	2,881	2,203	1,921	3,313	2,571	1,443	(315)	150
Utility sales	4,152	4,316	4,238	4,282	4,015	5,834	9,440	9,993	9,741	10,989
	<u>\$ 140,739</u>	<u>\$ 143,344</u>	<u>\$ 151,854</u>	<u>\$ 152,988</u>	<u>\$ 151,869</u>	<u>\$ 152,657</u>	<u>\$ 158,684</u>	<u>\$ 148,772</u>	<u>\$ 151,377</u>	<u>\$ 159,458</u>
Full TEUs	1,605,613	1,729,383	1,798,960	1,796,849	1,793,749	1,832,559	1,713,809	1,784,387	1,850,296	1,852,212 ⁽¹⁾
Maritime revenue per Full TEU	<u>\$ 87.65</u>	<u>\$ 82.89</u>	<u>\$ 84.41</u>	<u>\$ 85.14</u>	<u>\$ 84.67</u>	<u>\$ 83.30</u>	<u>\$ 92.59</u>	<u>\$ 83.37</u>	<u>\$ 81.81</u>	<u>\$ 86.09</u>

Notes:

- (1) Subject to change pending completion of operational audits.
(2) Prior to fiscal year 2016 parking fees were reported as part of lease rentals - terminal revenue
(3) Prior to fiscal year 2018, rail terminal rent was reported as other revenue.

Port of Oakland
 (A Component Unit of the City of Oakland)
Maritime Division - Container Trends
 Last Ten Fiscal Years

Fiscal Year	Full TEUs					Empty TEUs	Total TEUs
	Import	%	Export	%	Total Full		
2009	723,504	45%	882,109	55%	1,605,613	470,596	2,076,209
2010	754,316	44%	975,067	56%	1,729,383	440,456	2,169,839
2011	811,096	45%	987,864	55%	1,798,960	587,077	2,386,037
2012	802,914	45%	993,935	55%	1,796,849	553,103	2,349,952
2013	794,511	44%	999,238	56%	1,793,749	554,155	2,347,904
2014	824,310	45%	1,008,249	55%	1,832,559	538,146	2,370,705
2015	827,141	48%	886,668 ⁽¹⁾	52%	1,713,809	590,736	2,304,545
2016	884,186	50%	900,201	50%	1,784,387	558,294	2,342,681
2017	898,674	49%	951,622	51%	1,850,296	550,698	2,400,994
2018	929,837	50%	922,375	50%	1,852,212 ⁽²⁾	596,252	2,448,464



Notes:

- (1) Decrease in full container exports was driven by a strengthening U.S. dollar, impacts of the drought on California agriculture, and cargo diverted from the west coast during labor disruptions.
- (2) Subject to change pending completion of operational audits.

Port of Oakland
(A Component Unit of the City of Oakland)
Top Ten Individual Sources of Maritime Revenue by Alphabetical Order
Fiscal Year 2018 and Fiscal Year 2009

Fiscal Year 2018

BNSF Railway Company
 ConGlobal Industries
 Everport Terminal Services, Inc.
 GSC Logistics, Inc.
 Impact Transportation
 Pacific Coast Container, Inc.
 Shippers Transport Express, Inc.
 SSA Terminals, LLC and SSA Terminals (Oakland), LLC (combined)
 TraPac, Inc.
 Truck Parking ⁽¹⁾

Fiscal Year 2009

APM Terminals Pacific, Ltd.
 Burlington Northern/Santa Fe (OIG)
 Eagle Marine Services
 Everport Terminal Services, Inc.
 GSC Logistics
 International Transportation Service
 Shipper's Transport Express, Inc.
 SSA Terminals, LLC
 Total Terminals International
 Trans Pacific Container Service Corporation

The Port of Oakland terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants and therefore revenue and percent of total maritime revenue have been excluded from this report.

Note:

(1) Operated by Ampco System Parking, Inc.

Port of Oakland
(A Component Unit of the City of Oakland)
Net Pledged Revenues and Debt Service Coverage Calculation
Last Ten Fiscal Years
(dollar amounts in thousands)

	2009	2010	2011	2012	2013	2014	2015 ⁽⁷⁾	2016 ⁽⁷⁾	2017	2018
Operating Revenues	\$ 283,290	\$ 285,225	\$ 297,983	\$ 306,138	\$ 315,518	\$ 323,040	\$ 336,587	\$ 338,037	\$ 358,707	\$ 381,011
Operating Expenses	264,245	248,709	246,818	248,810	249,857	263,585	275,422	285,234	295,041	317,577
Less: Depreciation Expense	(96,938)	(98,810)	(98,816)	(98,032)	(98,234)	(99,259)	(101,759)	(104,077)	(106,255)	(112,031)
Less: CFC and Grant Reimbursed Operating Expense ⁽¹⁾	(4,808)	(3,968)	(3,724)	(4,217)	(5,197)	(736)	-	-	-	-
Adjusted Operating Expenses	162,499	145,931	144,278	146,561	146,426	163,590	173,663	181,157	188,786	205,546
Adjusted Operating Income	120,791	139,294	153,705	159,577	169,092	159,450	162,924	156,880	169,921	175,465
Gross Interest Earned ⁽²⁾	9,655	8,635	1,865	1,755	1,095	1,373	1,783	2,149	2,713	5,109
Less: Interest Earned on PFC and CFC Funds	(273)	(69)	(68)	(78)	(59)	(54)	(42)	(47)	(82)	(153)
Adjusted Interested Income	9,382	8,566	1,797	1,677	1,036	1,319	1,741	2,102	2,631	4,956
Net Pledged Revenues Available for Debt Service	\$ <u>130,173</u>	\$ <u>147,860</u>	\$ <u>155,502</u>	\$ <u>161,254</u>	\$ <u>170,128</u>	\$ <u>160,769</u>	\$ <u>164,665</u>	\$ <u>158,982</u>	\$ <u>172,552</u>	\$ <u>180,421</u>
Debt Service										
Senior Bonds ⁽³⁾	\$ 64,465	\$ 84,218	\$ 66,641	\$ 69,173	\$ 68,263	\$ 48,069	\$ 50,150	\$ 48,193	\$ 44,365	\$ 45,293
Senior Bonds, DBW Loan and Intermediate Bonds	94,045	113,303	105,645	108,175	107,268	98,191	98,197	98,880	99,454	98,902
Debt Service Coverage Ratio										
Senior Lien ⁽⁴⁾	2.02	1.76	2.33	2.33	2.49	3.34	3.28	3.30	3.89	3.98
Intermediate Lien ⁽⁵⁾⁽⁶⁾	1.38	1.42	1.47	1.50	1.59	1.64	1.68	1.61	1.73	1.82

Notes:

(1) Beginning in fiscal year 2016, expenses reimbursed by CFCs have been reclassified from operating to non-operating expenses. For comparative purposes, fiscal year 2014 and 2015 operating expenses have been restated to conform with fiscal year 2016 presentation. The Debt Service Coverage Ratios in fiscal year 2014 and 2015 do not change.

(2) Starting in fiscal year 2011, the amortization of bond premium is no longer included in Gross Interest Earned.

(3) Senior Bonds Debt Service is less capitalized interest.

(4) Senior Lien Debt Service Coverage Ratio is calculated by dividing Net Pledged Revenues Available for Debt Service by Senior Bonds Debt Service.

(5) Intermediate Lien Debt Service Coverage Ratio is calculated by dividing Net Pledged Revenues Available for Debt Service by Senior Bonds, DBW Loan, and Intermediate Bonds Debt Service.

(6) Intermediate Lien Debt Service Coverage Ratio include the following:

- In fiscal year 2010, debt service was reduced \$9.5 million due to the release of funds from Series F, Series K, Series L and Series N bond reserves funds.

- In fiscal year 2012, \$0.6 million of Series M unspent bond proceeds were applied to the debt service payment.

(7) Debt service has been adjusted to reflect the payment of accrued interest on two bond buyback transactions completed in fiscal year 2015 and fiscal year 2016, respectively.

Port of Oakland
(A Component Unit of the City of Oakland)
Ratios of Debt Service
Last Ten Fiscal Years
(dollar amounts in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽³⁾</u>	<u>2016⁽³⁾</u>	<u>2017</u>	<u>2018</u>
Debt Service										
Senior Revenue Bonds ⁽¹⁾										
Aviation	\$ 5,437	\$ 14,887	\$ 12,551	\$ 13,206	\$ 13,014	\$ 6,550	\$ 5,718	\$ 4,988	\$ 4,712	\$ 4,785
Maritime	59,021	67,682	54,085	55,960	55,242	41,517	4,430	43,203	39,651	40,506
Commercial Real Estate	7	1,649	5	7	7	2	2	2	2	2
Total Senior Revenue Bonds Debt Service	<u>64,465</u>	<u>84,218</u>	<u>66,641</u>	<u>69,173</u>	<u>68,263</u>	<u>48,069</u>	<u>10,150</u>	<u>48,193</u>	<u>44,365</u>	<u>45,293</u>
Department of Boating & Waterways										
Commercial Real Estate	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>
Intermediate Revenue Bonds										
Aviation	7,610	7,617	8,867	12,033	12,018	13,304	12,924	18,844	21,520	21,506
Maritime	20,985	20,486	29,128	25,271	25,289	34,568	32,894	28,018	29,183	27,674
Commercial Real Estate	527	525	552	1,241	1,241	1,792	1,771	3,367	3,928	3,972
Total Intermediate Revenue Bonds Debt Service	<u>29,122</u>	<u>28,628</u>	<u>38,547</u>	<u>38,545</u>	<u>38,548</u>	<u>49,664</u>	<u>47,589</u>	<u>50,229</u>	<u>54,631</u>	<u>53,152</u>
Commercial Paper										
Aviation	361	90	68	40	41	189	23	42	296	1,601
Maritime	896	218	165	116	115	897	3,069	4,103	4,317	3,534
Commercial Real Estate	-	-	-	3	-	-	-	-	-	-
Total Commercial Paper Debt Service ⁽²⁾	<u>1,257</u>	<u>308</u>	<u>233</u>	<u>159</u>	<u>156</u>	<u>1,086</u>	<u>3,092</u>	<u>4,145</u>	<u>4,613</u>	<u>5,135</u>
Debt Service by Division										
Aviation	13,408	22,594	21,486	25,279	25,073	20,043	18,665	23,874	26,528	27,892
Maritime	80,902	88,386	83,378	81,347	80,646	76,982	80,393	75,324	73,151	71,714
Commercial Real Estate	991	2,631	1,014	1,708	1,705	2,251	2,230	3,826	4,387	4,431
Total Debt Service	<u>\$ 95,301</u>	<u>\$ 113,611</u>	<u>\$ 105,878</u>	<u>\$ 108,334</u>	<u>\$ 107,424</u>	<u>\$ 99,276</u>	<u>\$ 101,288</u>	<u>\$ 103,024</u>	<u>\$ 104,066</u>	<u>\$ 104,037</u>
Aviation Debt Service per Enplaned Passenger										
Enplaned passengers (in 000's)	4,956	4,778	4,688	4,826	4,973	4,950	5,374	5,812	6,296	6,677
Aviation Debt Service per Enplaned Passenger (not in 000's)	<u>\$ 2.71</u>	<u>\$ 4.73</u>	<u>\$ 4.58</u>	<u>\$ 5.24</u>	<u>\$ 5.04</u>	<u>\$ 4.05</u>	<u>\$ 3.47</u>	<u>\$ 4.11</u>	<u>\$ 4.21</u>	<u>\$ 4.18</u>

Notes:

(1) Senior Revenue Bond debt service is less capitalized interest.

(2) Includes principal payments of \$1 million in 2014, \$3 million in 2015, and \$4 million in 2016, 2017 and 2018, respectively.

(3) Maritime debt service on Senior Revenue Bonds has been adjusted to reflect the payment of accrued interest on two bond buyback transactions completed in 2015 and 2016, respectively.

Port of Oakland
(A Component Unit of the City of Oakland)
Outstanding Debt by Debt Type
Last Ten Fiscal Years
(dollar amounts in thousands)

Fiscal Year	Senior Bonds	Intermediate Bonds	Department of Boating & Waterways	Commercial Paper	Total
2009	\$ 935,672	\$ 498,585	\$ 6,133	\$ 81,440	\$ 1,521,830
2010	856,000	494,390	5,952	89,440	1,445,782
2011	834,230	479,850	5,762	87,268	1,407,110
2012 (1)	803,761	478,977	5,564	87,268	1,375,570
2013	762,025	460,681	5,357	78,398	1,306,461
2014	745,382	430,345	5,140	77,398	1,258,265
2015	724,566	400,899	4,914	74,398	1,204,777
2016	705,315	367,607	4,678	84,586	1,162,186
2017	689,841	328,508	4,431	97,841	1,120,621
2018	667,591	282,079	4,173	105,355	1,059,198

Note:

(1) Starting in fiscal year 2012, amounts include bond discount/premium.

Port of Oakland
 (A Component Unit of the City of Oakland)
Demographic and Economic Statistics for the City of Oakland
 Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (\$000s)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate (%)</u>
2009	425,068	11,182,689	26,308	36.7	38,826	17.1
2010	390,757	10,607,099	27,145	37.1	38,450	17.2
2011	392,333	11,107,340	28,311	36.3	38,540	16.3
2012	394,832	11,281,140	28,572	36.2	37,742	14.3
2013	399,699	12,402,660	31,030	36.6	36,180	11.3
2014	405,703	13,154,920	32,425	36.4	37,040	9.0
2015	419,539	14,100,286	33,609	36.2	37,147	5.7
2016	423,191	14,636,907	34,587	36.2	37,075	5.8
2017 ⁽¹⁾	427,503	16,329,760	38,198	36.5	36,668	4.9
2018	428,827	16,380,334	38,198	36.2	36,900	3.8

Source:

Population - State of California Department of Finance

Per Capita Income and Median Age - DemographicsNow.com (2008-2013), U.S. Census Bureau (2014-2018)

School Enrollment - Oakland Unified School District

Unemployment Rate - State of California Employment Development Department

Note:

(1) 2017 population is updated with newly available data from the California Department of Finance. Personal Income is updated accordingly.

Port of Oakland
(A Component Unit of the City of Oakland)
Principal Employers in the City of Oakland - FY 2018 vs FY 2009

Employer	2018			2009		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Kaiser Permanente	11,734	1	5.72%	6,606	2	3.76%
Southwest Airlines	2,634	2	1.28%	2,313	7	1.32%
UCSF Benioff Children's Hospital Oakland	2,400	3	1.17%	1,970	10	1.12%
Alta Bates Summit Medical Center, Summit Campus	2,299	4	1.12%	N/A		
United Parcel Services	2,259	5	1.10%	N/A		
Securitas Security Services	1,564	6	0.76%	N/A		
Allied Universal	1,500	7	0.73%	N/A		
Federal Express Corp.	1,344	8	0.65%	2,241	8	1.28%
Pandora Media Inc.	1,000	9	0.49%	N/A		
Manos Home Care	973	10	0.47%	N/A		
Alameda County	N/A			7,734	1	4.40%
Oakland Unified School District	N/A			5,689	3	3.24%
City of Oakland	N/A			4,630	4	2.64%
United States Postal Service	N/A			3,961	5	2.26%
Internal Revenue Service	N/A			2,500	6	1.42%
Peralta Community College District	N/A			2,020	9	1.15%
Total	27,707			39,664		

Source:

City of Oakland Economic and Workforce Development Department and San Francisco Business Times

Total employment of 205,200 from State of California Employment Development Department is used to calculate the percentage of employment in 2018

Port of Oakland
(A Component Unit of the City of Oakland)
Actual Employee Count by Division
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Aviation	307	238	228	242	233	236	222	232	236	233
Maritime	78	63	61	63	69	69	68	20 ⁽¹⁾	18	20
Commercial Real Estate	7	8	8	7	7	8	8	8	8	8
Engineering & Environmental	67	49	48	50	50	54	57	102 ⁽¹⁾	105	106
Financial Services & Administration ⁽²⁾	63	55	53	53	59	54	56	58	57	56
Others	<u>51</u>	<u>35</u>	<u>39</u>	<u>36</u>	<u>38</u>	<u>37</u>	<u>41</u>	<u>39</u>	<u>37</u>	<u>37</u>
Total	<u>573</u>	<u>448</u>	<u>437</u>	<u>451</u>	<u>456</u>	<u>458</u>	<u>452</u>	<u>459</u>	<u>461</u>	<u>460</u>

06

Source:
Port of Oakland Records

Notes:
(1) In fiscal year 2016, Harbor Facilities was moved to the Engineering Division from the Maritime Division.
(2) Financial Services & Administration Division consists of Human Resources, Information Technology, and Financial Services.

Port of Oakland
 (A Component Unit of the City of Oakland)
Capital Assets Information
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Aviation facilities										
Paved airport runways	4	4	4	4	4	4	4	4	4	4
Total length of runways (in feet)	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038
Area of airport (in acres)	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Parking stalls ⁽¹⁾	6,103	6,315	6,950	6,516	6,516	6,621	6,878	6,898	6,898	6,895
Harbor facilities										
Miles of waterfront	19	19	19	19	19	19	19	19	19	19
Berthing length at wharves (in feet) ⁽²⁾	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100	25,100
Maritime terminal area (in acres)	786	786	779	779	779	779	779	779	779	779
16 Commercial Real Estate										
Owned acreage	874	874	874	865	837	837	837	837	837	837
Parking stalls ⁽¹⁾	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,429	1,333	1,333

Source:
 Port of Oakland Records

Note:
 (1) Available parking stalls are increased or decreased due to market demand or to make space available for construction projects.
 (2) Prior year information updated for accuracy.

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