

Comprehensive Annual Financial Report

For the Years Ended June 30, 2019 and 2018



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, 2019 and 2018

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
For the Years Ended June 30, 2019 and 2018

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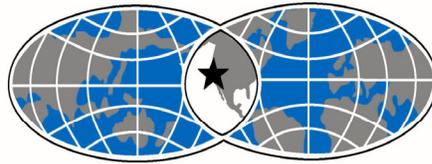
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PORT OF OAKLAND

INTRODUCTORY SECTION

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

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PORT OF OAKLAND

November 14, 2019

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, 2019 and 2018. 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 2018, the Airport ranked 37th in the United States in terms of total passengers and 14th in terms of air cargo tonnage. In fiscal year 2019, the Airport served approximately 13.6 million passengers and 1.3 billion pounds of air cargo. In 2019 the Airport averaged 160 passenger departures to 64 domestic and international destinations, as well as an average of 35 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 2019, approximately 2.6 million full and empty TEUs moved through the Seaport. The Seaport comprises approximately 1,300 acres, including 750 acres of 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 2019 Financial Results

The Port's financial condition improved during fiscal year 2019, as management has focused on revenue maintenance and growth, expense control, and debt service savings. While activity levels are not directly correlated to Aviation and Maritime revenues, they are indicators of the strength of these business lines. The Airport continued to experience passenger growth and reached 13.6 million passengers in fiscal year 2019, an increase of 1.9% from fiscal year 2018. The Seaport reached 2.6 million total TEUs an increase of 5.8% from fiscal year 2018. Operating revenues increased \$16.0 million or 4.2%, in fiscal year 2019 to \$397.0 million. The increase in revenue was driven by increases in terminal rental rates at the Airport and scheduled rent increases at the Seaport, as well as an increase in utility sales and miscellaneous terminal revenues. Revenue growth was mostly offset by an increase in operating expenses of \$13.4 million or 4.2%, bringing total operating expenses to \$331.0 million in fiscal year 2019, with personnel costs, and customs and security costs driving this increase. Operating income increased \$2.6 million to \$66.0 million in fiscal year 2019. The fiscal year 2019 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 2020, 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 2020 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.

For fiscal year 2020, the Port budgeted total operating revenues of approximately \$398.0 million, a 0.3% increase from \$397.0 million in fiscal year 2019. Revenue projections for 2020 reflect modest growth at the Airport and stabilizing revenue for Maritime. The Port projects operating revenues to increase to \$441.0 million by the end of fiscal year 2024, for a forecasted compound annual growth rate of 2.6% based on many factors and assumptions including, but not limited to: passenger and TEU growth rates, changes in Airline rates and charges, changes in transportation mode to the Airport, Maritime tariff increases, and lease revenues based on existing and anticipated lease terms.

Operating expenses before depreciation are budgeted at approximately \$259.6 million for fiscal year 2020, a 20.2% increase from \$216.0 million in fiscal year 2019. The increase in costs are driven in part by anticipated increases in personnel costs, which represent 51% of the operating expense budget, major maintenance and dredging in Maritime, and security at the Airport. The Port is anticipating operating expenses before depreciation to increase to \$280.2 million by fiscal year 2024, for a forecasted compound annual growth rate of 1.9% driven by increases in personnel costs. The Port's pension contribution rates, including employer unfunded liability contributions, are projected to increase from 39.5% in fiscal year 2020 to 44.8% of covered payroll in fiscal year 2024 based on CalPERS projections reflecting an updated mortality and reduction in the discount rate from 7.5% to 7.0%.

On June 27, 2019 a five-year (fiscal year 2020-2024) CIP in the amount of \$572 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 the Airport perimeter dike project, taxiway, runway and apron improvements, miscellaneous terminal projects, and various utility improvements.

For fiscal year 2020, the Board authorized an initial budget of \$42.3 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 \$81.4 million of pipeline projects is anticipated to be authorized by the Board, after the pre-development work is concluded. Approximately \$16.0 million of the capital expenditures are expected to be funded with various Aviation and Maritime grants, \$8.1 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 Federal Emergency Management Agency (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. Construction of this first phase (flood hazard protection) is slated to begin in fall 2019 and be completed in fall 2020. Design and bid packaging for the seismic phase is expected to begin in spring 2020 and construction of this phase is expected to be complete by summer 2022.

Restroom Upgrades. The Airport initiated a program to remodel the terminal building restrooms. Restrooms in Terminal 1 concourse have been in service for more than 15 years, and restrooms in Terminal 2 for more than 10 years. The growing passenger demand has put additional stress on these aging facilities requiring increased staff time and resources to clean and maintain to acceptable standards. The program will include gender-neutral facilities, modernizing finishes and installing low water use fixtures that meet current standards, extend life cycle, and ease maintenance requirements in the future. The program will be implemented in a phased manner. Design is expected to be completed and construction initiated in fiscal year 2020 for some of the restrooms.

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. Design is expected to be completed in early calendar year 2020, with construction to follow.

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 includes overlays, crack sealing, repair of spalled concrete pavement joints, pavement replacement, and installation and replacement of airfield signage for the identified areas. These projects are all in construction and should be completed in calendar year 2020.

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 was completed Spring 2019.

Maritime

Maritime trade, and the demand for supporting facilities, continues to be strong. The Port continuously reinvests in its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. Various projects are planned to continue or begin in fiscal year 2020 across all areas of the Seaport, the most significant of these projects include:

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 in the early 2000s. 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. Over time, 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 November 2018, operations commenced at Cool Port Oakland a new 283,000 square foot refrigerated cross-dock/storage facility on approximately 25 acres of land in the heart of the Seaport. The development includes a new at-grade rail crossing, and approximately 11,000 linear feet of track connecting the facility to a nearby main rail line. Over the initial 30-year lease term, the development is expected to increase the import and export of perishable food products through Northern California and the Seaport.

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 & Related Improvements. Over the next 5 years, the Port expects to fund a number of improvements to marine terminals and the key access points to those terminals, upgrade aging infrastructure, address the needs of larger ships, capture opportunities to diversify cargo, and reduce congestion on roadways to and within the Seaport. Key projects include crane raising and crane management system upgrades; and wharf upgrades for vessels capable carrying 18,000 TEUs or more. One terminal operator is scheduled to deliver new ship-to-shore cranes by December 2020, which will require the relocation or removal of certain cranes currently in operation.

To better serve tenants and customers, the Port is also planning to construct or enhance roadways. In particular, the Port is focused on the implementation of the GoPort Program in partnership with the Alameda County Transportation Commission. The GoPort Program will 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 and enhance security. Construction of initial improvements is expected to start in early 2020 and be fully operational by 2022. The Program will also construct a new, grade-separated 7th Street (pending finalization of a multi-source funding plan), known as the 7th Street Grade Separation project (7SGS). The project is intended to reduce congestion, provide more efficient rail connections by eliminating certain at-grade conflicts, and enhance an existing pedestrian/bike path. Construction of the 7SGS is anticipated to begin around late 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, 2018. 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, 2018

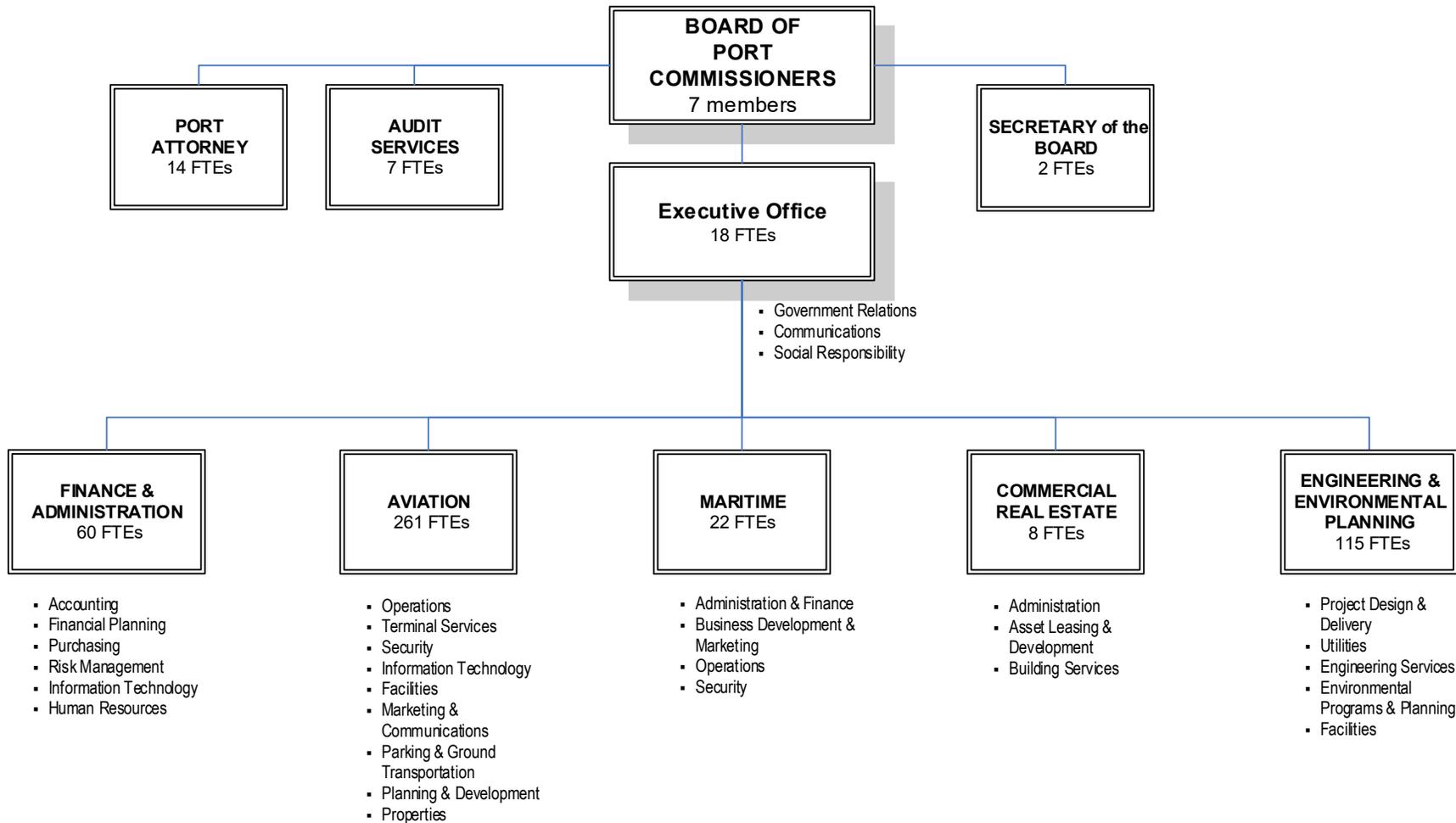
Christopher P. Morrill

Executive Director/CEO

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2018-19

507 Funded FTEs (Full-Time Equivalents)





PORT OF OAKLAND

Appointed Officials, Executive Management and Contributing Staff

For the Year Ended
June 30, 2019

Board of Port Commissioners of the City of Oakland

Cestra Butner, President
Andreas Cluver, First Vice-President
Michael Colbruno, Second Vice-President
Yui Hay Lee, Commissioner
Barbara Leslie, Commissioner
Arabella Martinez, Commissioner
Joan H. Story, 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
Robert Andrews, Acting Director of Engineering
Sara Lee, Chief Financial Officer
Danny Wan, Port Attorney

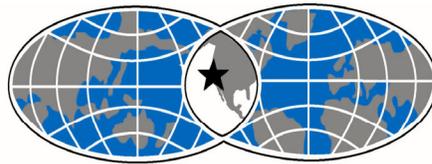
Contributing Staff

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 years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port's basic 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, 2019 and 2018, 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.

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 the net OPEB liability and related ratios, and the schedule of OPEB contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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 audits were conducted for the purpose of forming an opinion on the Port's basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic 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 November 14, 2019 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

November 14, 2019

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2019 and 2018
(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, 2019 and 2018, with comparative information for June 30, 2017. 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:

	2019	\$ Change	% Change	2018	\$ Change	% Change	2017 ⁽¹⁾
Current and other assets	\$ 590,357	\$ 62,420	11.8%	\$ 527,937	\$ 40,414	8.3%	\$ 487,523
Capital assets, net	2,072,274	(92,296)	-4.3%	2,164,570	(10,272)	-0.5%	2,174,842
Total assets	<u>2,662,631</u>	<u>(29,876)</u>	-1.1%	<u>2,692,507</u>	<u>30,142</u>	1.1%	<u>2,662,365</u>
Deferred outflows of resources	54,411	(15,811)	-22.5%	70,222	19,491	38.4%	50,731
Debt outstanding	977,654	(81,544)	-7.7%	1,059,198	(61,423)	-5.5%	1,120,621
Other liabilities	465,124	(33,363)	-6.7%	498,487	113,988	29.6%	384,499
Total liabilities	<u>1,442,778</u>	<u>(114,907)</u>	-7.4%	<u>1,557,685</u>	<u>52,565</u>	3.5%	<u>1,505,120</u>
Deferred inflows of resources	10,578	6,521	160.7%	4,057	(2,183)	-35.0%	6,240
Net investment in capital assets	1,155,256	170	0.0%	1,155,086	48,539	4.4%	1,106,547
Restricted for construction	9,035	(1,422)	-13.6%	10,457	(11,935)	-53.3%	22,392
Unrestricted	99,395	63,951	180.4%	35,444	(37,353)	-51.3%	72,797
Total net position	<u>\$ 1,263,686</u>	<u>\$ 62,699</u>	5.2%	<u>\$ 1,200,987</u>	<u>\$ (749)</u>	-0.1%	<u>\$ 1,201,736</u>

⁽¹⁾ In 2018, the Port implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and restated beginning net position on July 1, 2017 by \$84,505. The Port did not restate 2017 because the actuarial information was not available.

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Summary of Net Position (continued)

2019

Unrestricted net position increased \$63,951 or 180.4% due to an increase in unrestricted cash equivalents that was generated from operations and the collection of grant reimbursements for the runway overlay project funded by the Airport Improvement Program which was substantially completed in the prior year.

Net position restricted for construction consists 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 \$1,422 due to the release of restricted cash for payment of commercial paper previously issued for PFC eligible projects offset by the collection of PFC revenues.

Net investment in capital assets increased \$170 due to a decrease in long-term debt of \$81,544 and a decrease in accounts payable on construction contracts of \$9,394, offset by a net decrease in capital assets of \$92,296. For a detailed discussion on capital assets and long-term debt, refer to pages 12-13 for more details.

2018

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 \$16,663, 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 2.9 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 investment 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 in outstanding debt of \$30,089 due to the refunding of 2007 Series ABC Bonds with 2017 Series DEFG Bonds, and the defeasance of \$5,280 of 2012 Series P Bonds, 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 12-13 for more details.

Net position restricted for construction consists 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 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						
	2019	\$ Change	% Change	2018	\$ Change	% Change	2017 ⁽¹⁾
Operating revenues	\$ 396,997	\$ 15,986	4.2%	\$ 381,011	\$ 22,304	6.2%	\$ 358,707
Passenger facility charges revenue	25,819	(84)	-0.3%	25,903	1,383	5.6%	24,520
Customer facility charges revenue	5,421	(104)	-1.9%	5,525	(485)	-8.1%	6,010
Gain on lease termination	-	-	100%	-	(5,526)	-100.0%	5,526
Interest income	13,363	8,254	161.6%	5,109	2,396	88.3%	2,713
Grant revenue	454	130	40.1%	324	(677)	-67.6%	1,001
Other income	2,775	(4,112)	-59.7%	6,887	5,890	590.8%	997
Total revenues	<u>444,829</u>	<u>20,070</u>	4.7%	<u>424,759</u>	<u>25,285</u>	6.3%	<u>399,474</u>
Operating expenses							
before depreciation	216,032	10,487	5.1%	205,545	16,759	8.9%	188,786
Depreciation	114,921	2,889	2.6%	112,032	5,777	5.4%	106,255
Interest expense	36,604	(3,091)	-7.8%	39,695	(8,000)	-16.8%	47,695
Customer facility charges expense	5,440	762	16.3%	4,678	147	3.2%	4,531
Loss on disposal of capital assets	10,864	10,859	217,180%	5	(2,864)	-99.8%	2,869
Other expense	6,053	(22,843)	-79.1%	28,896	26,055	917.1%	2,841
Grant expense	454	130	40.1%	324	(677)	-67.6%	1,001
Total expenses	<u>390,368</u>	<u>(807)</u>	-0.2%	<u>391,175</u>	<u>37,197</u>	10.5%	<u>353,978</u>
Change in net position before capital contributions	54,461	20,877	62.2%	33,584	(11,912)	-26.2%	45,496
Capital contributions - Grants from government agencies	8,238	(41,934)	-83.6%	50,172	36,478	266.4%	13,694
Increase in net position	62,699	(21,057)	-25.1%	83,756	24,566	41.5%	59,190
Net position, beginning of the year	1,200,987	83,756	7.5%	1,117,231	(25,315)	-2.2%	1,142,546
Net position, end of the year	<u>\$ 1,263,686</u>	<u>\$ 62,699</u>	5.2%	<u>\$ 1,200,987</u>	<u>\$ (749)</u>	-0.1%	<u>\$ 1,201,736</u>

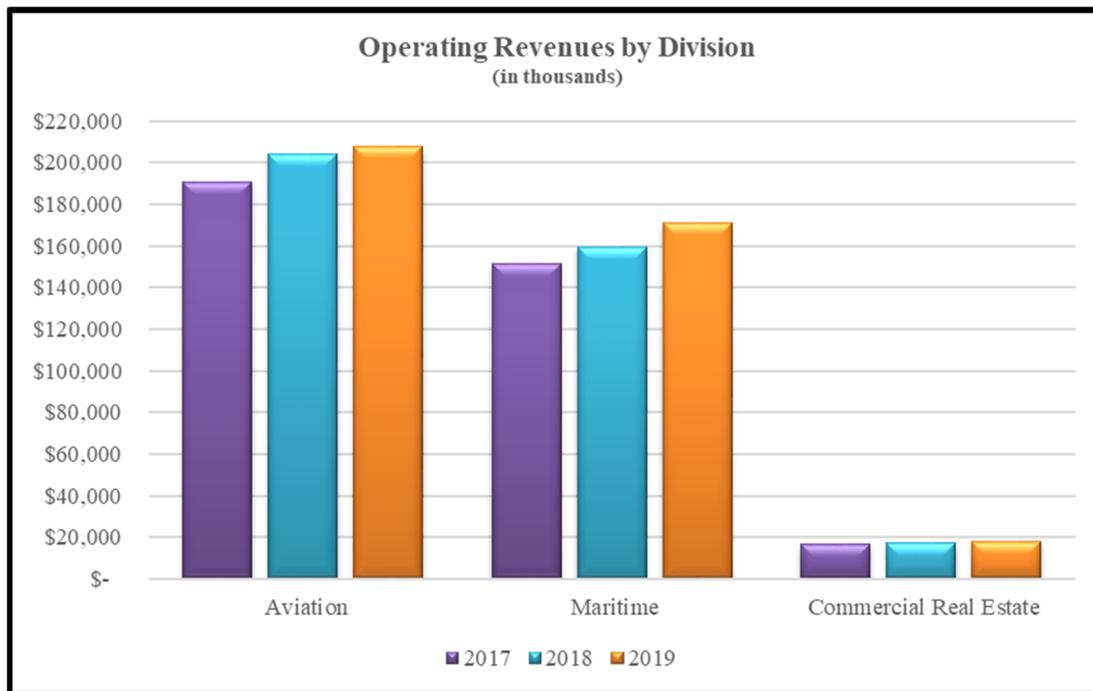
⁽¹⁾ In 2018, the Port implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and restated beginning net position on July 1, 2017 by \$84,505. The Port did not restate 2017 because the actuarial information was not available.

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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>2019</u>	<u>2018</u>	<u>2017</u>
Aviation	\$ 208,022	\$ 204,293	\$ 190,657
Maritime	170,976	159,458	151,377
Commercial Real Estate	17,999	17,260	16,673
Total	<u>\$ 396,997</u>	<u>\$ 381,011</u>	<u>\$ 358,707</u>



2019

The Port's total operating revenues increased approximately \$15,986 or 4.2% from \$381,011 in fiscal year 2018 to \$396,997 in fiscal year 2019.

The Aviation Division generated \$208,022 or 52.4% of the Port's total operating revenues in fiscal year 2019. Passenger traffic increased 1.94% from 13.36 million passengers in fiscal year 2018 to 13.62 million passengers in fiscal year 2019. Aviation's operating revenues increased approximately \$3,729 or 1.8% from \$204,293 in fiscal year 2018 to \$208,022 in fiscal year 2019. The increase in Aviation operating revenue was primarily due to increases in terminal rental revenue of \$3,835. Terminal rental revenue increased due to an increase in the terminal rental rates from \$285.25 per square foot in 2018 to \$301.16 per square foot in 2019. This is 5.6% or \$15.91 per square foot higher than the fiscal year 2017-18 rate. Additionally, Transportation Network Companies (TNC) revenue increased \$1,662 due to an increase in trip volume. The increase in TNC revenues was offset by a decrease in parking revenue of \$1,031 and a decrease in terminal concessions revenue of \$571 due to ongoing renovations of the terminal concessions which temporarily decreased available concession space.

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Operating Revenues by Division (continued)

The Maritime Division generated \$170,976 or 43.1% of the Port's total operating revenues in fiscal year 2019. Maritime's operating revenues increased approximately \$11,518 or 7.2% from \$159,458 in fiscal year 2018 to \$170,976 in fiscal year 2019. The increase in Maritime operating revenue was primarily due to: scheduled rent adjustments at one marine terminal resulting in additional fixed rent; higher cargo activity at one marine terminal that generated additional variable rent; higher cargo activity at the rail terminal; growing usage of port-operated truck parking facilities; and an increase in utility revenue that resulted mainly from greater shore power usage.

The Commercial Real Estate Division generated \$17,999 or 4.5% of the Port's total operating revenues in fiscal year 2019. Commercial Real Estate's operating revenues increased approximately \$739 or 4.3% from \$17,260 fiscal year 2018 to \$17,999 in fiscal year 2019. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents and incremental increases in minimum rents.

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.

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.

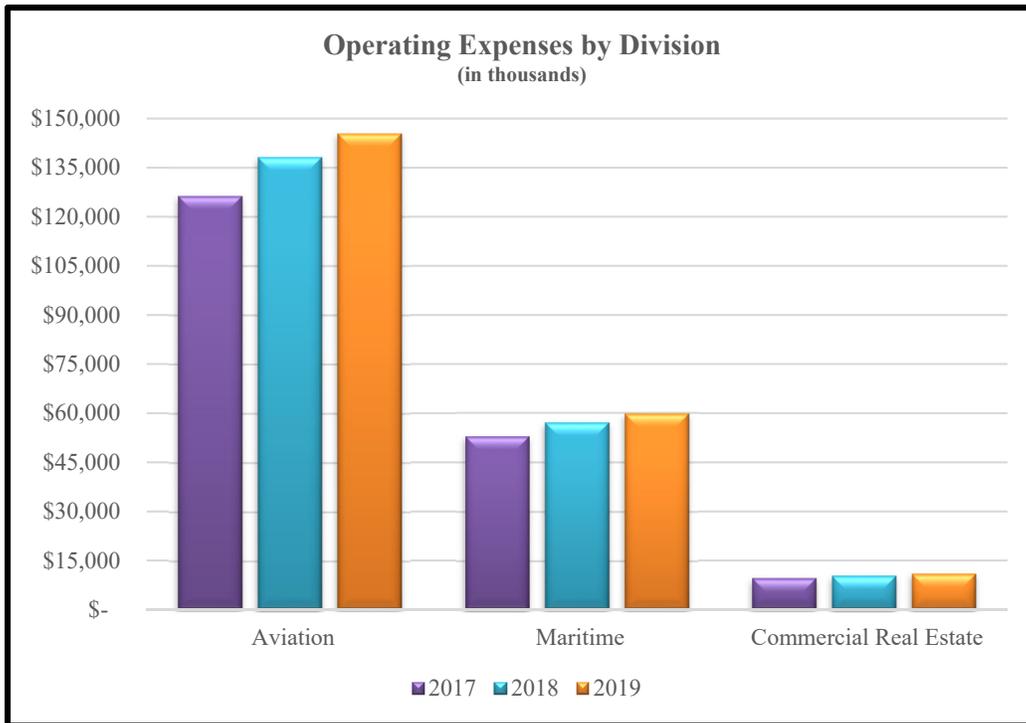
The Commercial Real Estate Division generated \$17,260 or 4.5% of the Port's total operating revenues in fiscal year 2018. Commercial Real Estate's operating revenues increased approximately \$587 or 3.5% from \$16,673 in fiscal year 2017 to \$17,260 in fiscal year 2018. The increase in Commercial Real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

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Operating Expenses by Division

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

<u>Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Aviation	\$ 145,343	\$ 138,189	\$ 126,298
Maritime	59,757	57,031	52,854
Commercial Real Estate	10,932	10,325	9,634
Total	<u>\$ 216,032</u>	<u>\$ 205,545</u>	<u>\$ 188,786</u>



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Operating Expenses by Division (continued)

2019

The Port's operating expenses, excluding depreciation, increased approximately \$10,487 or 5.1% from \$205,545 in fiscal year 2018 to \$216,032 in fiscal year 2019.

The Aviation Division represented 67.3% of the Port's total operating expenses in fiscal year 2019. Aviation's operating expenses increased by \$7,154 or 5.2% from \$138,189 in fiscal year 2018 to \$145,343 in fiscal year 2019. The increase in operating expense was primarily due to a \$3,537 increase for security and fire protection.

The Maritime Division represented 27.7% of the Port's total operating expenses in fiscal year 2019. Maritime's operating expenses increased \$2,726 or 4.8% from \$57,031 in fiscal year 2018 to \$59,757 in fiscal year 2019. The increase in operating expense was primarily due to a \$2,434 increase in maintenance and engineering related costs due to a focus on maintenance type projects following the completion of large capital projects in the prior year.

The Commercial Real Estate Division represented 5.0% of the Port's total operating expenses in fiscal year 2019. Commercial Real Estate's operating expenses increased by \$607 or 5.9% from \$10,325 in fiscal year 2018 to \$10,932 in fiscal year 2019.

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 27.8% 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 the 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.

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Depreciation Expense by Division

A summary of depreciation expense as of June 30 follows:

<u>Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Aviation	\$ 56,577	\$ 55,188	\$ 50,293
Maritime	55,934	54,334	53,448
Commercial Real Estate	2,410	2,510	2,514
Total	<u>\$ 114,921</u>	<u>\$ 112,032</u>	<u>\$ 106,255</u>
Depreciation by funding source:			
Grant, PFC and CFC funded portion	\$ 40,581	\$ 32,021	\$ 34,516
Internal and debt funded portion	74,340	80,011	71,739
Total	<u>\$ 114,921</u>	<u>\$ 112,032</u>	<u>\$ 106,255</u>

In fiscal year 2019, depreciation expense increased \$2,889 or 2.6%. Aviation depreciation expense increased \$1,389 due to assets placed in service during the year. The most significant assets placed in service by the Aviation division related to the Explosives Detection Systems Recapitalization and Terminal 1 eGSE infrastructure improvements projects. Maritime's depreciation increased approximately \$1,600 due to assets placed in service during the year. The most significant assets placed in service by the Maritime division were the Coolport Rail and additional crane raises at Oakland International Container Terminal. Commercial Real Estate's depreciation decreased approximately \$100 due to several assets that fully depreciated during the year.

In fiscal year 2018, depreciation expense increased \$5,777 or 5.4%. 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. 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. Commercial Real Estate's depreciation decreased approximately \$4 due to several assets that fully depreciated during the year.

Interest Expense

Interest expense decreased \$3,091 or 7.8% in fiscal year 2019, from \$39,695 in fiscal year 2018 to \$36,604 in fiscal year 2019. This was following a decrease in interest expense in fiscal year 2018 of \$8,000 or 16.8% from \$47,695 in fiscal year 2017. The decreases in interest expense were the result of scheduled principal payments in fiscal 2018 and 2019, reducing the overall amount of debt outstanding, and the refunding of 2007 Series Bonds in fiscal year 2018 which further reduced outstanding debt.

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Other Expense

Other expense decreased \$22,843 in fiscal year 2019, from \$28,896 in fiscal year 2018 to \$6,053 in fiscal year 2019, following an increase in other expense in fiscal year 2018 of \$26,055 from \$2,841 in fiscal year 2017. The 2018 increase was due to a net adjustment to infrastructure assets of \$24,980 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.

Loss on Disposal Capital Assets

Loss on disposal of capital assets increased \$10,859 from \$5 in fiscal year 2018 to \$10,865 in fiscal year 2019 due to the one-time abandonment of design and other construction in progress costs of \$10,927 offset by proceeds from the sale of fully depreciated equipment of \$63.

Other Income

Other income decreased \$4,112 in fiscal year 2019 from \$6,887 in fiscal year 2018 to \$2,775 in fiscal year 2019, following an increase in other income in fiscal year 2018 of \$5,890, from \$997 in fiscal year 2017. The 2018 increase was driven by payments 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 for the year ended June 30 follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
U.S. Department of Transportation:			
Airport Improvement Program	\$ 3,798	\$ 41,662	\$ 10,589
Transportation Investment Generating Economic Recovery	-	-	1,339
U.S. Department of Homeland Security:			
Port Security Grant Program	-	121	1,061
Trade Corridor Improvement Fund	-	5,000	-
Other grant programs	4,440	3,389	705
Total capital contributions	<u>\$ 8,238</u>	<u>\$ 50,172</u>	<u>\$ 13,694</u>

In fiscal year 2019, grants from government agencies decreased \$41,934 or 83.6% from \$50,172 in fiscal year 2018 to \$8,238 in fiscal year 2019. The decrease is driven by the completion of significant grant funded projects early in the fiscal year, and new grant funded projects not starting until late in the fiscal year. The majority of capital contributions recognized by the Port in fiscal year 2019 was from an electric charging stations project for Terminal 1, final closeout of the Runway Safety Area Project, and other airport infrastructure related projects.

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.

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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>2019</u>	<u>2018</u>	<u>2017</u>
Capital assets:			
Land	\$ 523,400	\$ 523,382	\$ 523,382
Noise easements and air rights	25,853	25,853	25,852
Construction in progress	18,661	41,451	143,257
Buildings and improvements	349,783	368,764	259,030
Container cranes	44,567	46,978	45,058
Infrastructure	1,063,723	1,124,033	1,144,375
Software	2,796	4,201	5,604
Other equipment	43,491	29,908	28,284
Total	<u>\$ 2,072,274</u>	<u>\$ 2,164,570</u>	<u>\$ 2,174,842</u>

Net capital assets decreased by approximately \$92,296 or 4.3% in fiscal year 2019, due to construction in progress and capital asset additions totaling \$34,663, offset by retirements and abandoned construction in progress of \$12,038 and an increase in accumulated depreciation of \$114,921. Major additions to capital assets in fiscal year 2019 were related to the Explosive Detection Systems Recapitalization, Tango Remote Hardstand and Coolport Rail projects.

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.

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. As of June 30, 2019, the Port had construction commitments of approximately \$35,455 for current projects including the Airport Perimeter Dike Improvements, various Airport terminal improvements, and Maritime substation equipment. Additional information on the Port's construction commitments can be found in Note 12 Commitments.

On June 27, 2019, a five-year (fiscal year 2020-2024) Capital Improvement Plan (CIP) in the amount of \$572.1 million was presented to the Board of Commissioners (Board) for informational purposes. For fiscal year 2020, the Board adopted a capital budget of \$42.3 million.

The fiscal year 2020 capital budget focuses on completing the crane raising and management system project, as well as several smaller projects under \$5 million that are focused on regulatory compliance, life and safety-related improvements, aged infrastructure, and revenue maintenance.

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Debt Administration

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Bond Indebtedness	\$ 840,790	\$ 891,695	\$ 979,565
Dept. of Boating and Waterway Loan	3,903	4,173	4,431
Commercial Paper	84,475	105,370	97,841
Subtotal debt	929,168	1,001,238	1,081,837
Net unamortized premium (discount)	48,486	57,960	38,784
Total debt	<u>\$ 977,654</u>	<u>\$ 1,059,198</u>	<u>\$ 1,120,621</u>

In fiscal year 2019, the Port's total debt decreased approximately \$81,544 or 7.7%, from \$1,059,198 in fiscal year 2018 to \$977,654 in fiscal year 2019. The decrease resulted in part from principal payments of \$71,425 on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways. A further \$645 of 2012 Series P Bonds was defeased in a separate transaction during the fiscal year. Finally, a decrease to unamortized bond discount/premium totaling \$9,474 was also recognized.

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 the principal payments of \$56,760 on outstanding bonds, commercial paper, and a loan with the Department of Boating & 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.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Senior Lien	4.21	3.98	3.89
Intermediate Lien	2.08	1.82	1.73

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, 2019 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 Y. 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.

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. The CHSR Authority is using a phased implementation of service and began construction of the first segment of phase 1 (Merced to Bakersfield) in 2015 with estimated completion by the end of 2028. Due to increased cost and shifting state priorities, completion of phase 1, connecting Silicon Valley with the Central Valley, is uncertain. 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, 2019 and 2018
(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 90% 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, therefore, could be shipped through any one of numerous ports. Discretionary intermodal rail cargo is about 10% 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. Additionally, ocean carriers have begun to deploy ultra-large container vessels (ULCV) in the trans-Pacific trade, which require larger ship-to-shore cranes, longer berths, stronger wharf infrastructure, and additional maneuvering (e.g., larger turning circles and more tug boats). In addition to placing higher demands on ports, including the Port of Oakland, the ULCVs may result in a shift of cargo among U.S. ports and among West Coast ports. 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 due to on-going trade disputes between China and the U.S. could negatively impact import and export cargo volume at U.S. ports, including the Port of Oakland. Some negative impact on exports has already been experienced, offset by growth in the imports during fiscal year 2019 due in part to a "front loading" of cargo to mitigate trade uncertainty. Ultimately, the scope of the impact of the trade dispute 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 remains unable to 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, shipping line mergers and the formation of three new alliances, and consolidation within segments of the supply chain. These changes have resulted and are expected to continue to cause a redistribution of cargo among terminals at the Port of Oakland, which could affect revenues. 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.

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June 30, 2019 and 2018
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Maritime (continue)

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.

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.

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Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Net Position
June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 448,988	\$ 368,157
Accounts receivable (less allowance for doubtful accounts of \$1,063 in 2019 and \$540 in 2018)	27,469	44,157
Prepaid expenses and other assets	3,906	3,663
Total unrestricted current assets	<u>480,363</u>	<u>415,977</u>
Restricted:		
Cash equivalents	5,886	7,113
Investments	58,361	56,678
Deposits in escrow	-	2,284
Passenger facility charges and customer facility charges receivable	3,149	3,344
Accrued interest receivable	330	330
Total restricted current assets	<u>67,726</u>	<u>69,749</u>
Total current assets	<u>548,089</u>	<u>485,726</u>
Non-current assets:		
Capital assets:		
Land	523,400	523,382
Noise easements and air rights	25,853	25,853
Construction in progress	18,661	41,451
Buildings and improvements	990,898	986,181
Container cranes	159,197	155,697
Infrastructure	2,135,918	2,117,468
Software	13,844	13,844
Other equipment	120,917	103,537
Total capital assets, at cost	3,988,688	3,967,413
Less accumulated depreciation	<u>(1,916,414)</u>	<u>(1,802,843)</u>
Capital assets, net	2,072,274	2,164,570
Other receivables	27,443	28,026
Other assets	14,825	14,185
Total non-current assets	<u>2,114,542</u>	<u>2,206,781</u>
Total assets	<u>2,662,631</u>	<u>2,692,507</u>
Deferred Outflows of Resources		
Loss on refunding	5,948	6,838
Deferred outflows related to pensions	33,569	48,652
Deferred outflows related to OPEB	14,894	14,732
Total deferred outflows of resources	<u>\$ 54,411</u>	<u>\$ 70,222</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, 2019 and 2018
(dollar amounts in thousands)

	2019	2018
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,181	\$ 36,528
Retentions on construction contracts	1,416	4,435
Environmental and other	13,255	13,553
Accrued interest	7,060	7,568
Long-term debt, net	61,216	60,027
Liability to City of Oakland	10,136	8,675
Unearned revenue	7,788	8,086
Total current liabilities	127,052	138,872
Non-current liabilities:		
Environmental and other	45,382	43,559
Long-term debt, net	916,438	999,171
Net pension liability	206,112	222,741
Net OPEB liability	99,866	103,877
Deposits	23,034	23,347
Unearned revenue	24,894	26,118
Total non-current liabilities	1,315,726	1,418,813
Total liabilities	1,442,778	1,557,685
Deferred Inflows of Resources		
Deferred inflows related to pensions	8,938	2,565
Deferred inflows related to OPEB	1,640	1,492
Total deferred inflows of resources	10,578	4,057
Net Position		
Net investment in capital assets	1,155,256	1,155,086
Restricted for construction	9,035	10,457
Unrestricted	99,395	35,444
Total net position	\$ 1,263,686	\$ 1,200,987

(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, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Lease rentals - terminal	\$ 183,923	\$ 172,064
Lease rentals - other	69,920	69,780
Parking fees and ground access	67,077	65,336
Landing fees	36,849	37,001
Terminal concessions	9,930	10,501
Utility sales	18,606	15,391
Rail terminal rent	3,979	3,173
Fueling	2,582	2,414
Other	4,131	5,351
Total operating revenues	<u>396,997</u>	<u>381,011</u>
Operating expenses:		
Personnel services, materials, services, supplies, and other	74,946	75,919
Maintenance and engineering	66,726	61,551
Marketing and public relations	6,357	5,864
Administration and general services	19,843	20,721
Utilities	11,887	12,021
Security, police and fire	36,273	29,469
Depreciation	114,921	112,032
Total operating expenses	<u>330,953</u>	<u>317,577</u>
Operating income	<u>66,044</u>	<u>63,434</u>
Non-operating revenues (expenses):		
Interest income	13,363	5,109
Interest expense	(36,604)	(39,695)
Customer facility charges revenue	5,421	5,525
Customer facility charges expenses	(5,440)	(4,678)
Passenger facility charges	25,819	25,903
Other income	2,775	6,887
Other expense	(6,053)	(28,896)
Grant income	454	324
Grant expenses	(454)	(324)
Loss on disposal of capital assets	(10,864)	(5)
Total non-operating revenues (expenses), net	<u>(11,583)</u>	<u>(29,850)</u>
Increase in net position before capital contributions	54,461	33,584
Capital contributions - Grants from government agencies	<u>8,238</u>	<u>50,172</u>
Increase in net position	62,699	83,756
Net position, beginning of the year	<u>1,200,987</u>	<u>1,117,231</u>
Net position, end of the year	<u>\$ 1,263,686</u>	<u>\$ 1,200,987</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, 2019 and 2018
(dollar amounts in thousands)

	2019	2018
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 397,648	\$ 379,119
Payments to suppliers	(100,394)	(98,620)
Payments to employees	(76,507)	(67,733)
Payments to employee retirement plans	(21,832)	(19,777)
Payments to employee OPEB plan	(14,708)	(14,732)
Other non-operating payments	(5,395)	(4,097)
Other non-operating receipts	286	129
Net cash provided by operating activities	179,098	174,289
Cash flows from noncapital financing activities:		
Proceeds from government agencies for recovery of operating costs	454	324
Proceeds from insurance and other recoveries	2,489	6,615
Net cash provided by noncapital financing activities	2,943	6,939
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	-	265,479
Repayments/refunding of debt	(72,070)	(346,078)
Grants from government agencies	22,383	39,682
Interest paid on debt	(45,696)	(19,119)
Purchase of capital assets	(47,076)	(128,451)
Proceeds from sale of capital assets	63	-
Customer facility charge and passenger facility charge receipts	26,148	26,851
Net cash used in capital and related financing activities	(116,248)	(161,636)
Cash flows from investing activities:		
Interest received on investments	13,210	4,829
Purchase of restricted investments	(56,077)	(55,282)
Proceeds from maturity of restricted investments	56,678	57,576
Net cash provided by investing activities	13,811	7,123
Net increase in cash equivalents	79,604	26,715
Cash equivalents, beginning of year	375,270	348,555
Cash equivalents, end of year	\$ 454,874	\$ 375,270

(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, 2019 and 2018
(dollar amounts in thousands)

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 66,044	\$ 63,434
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	114,921	112,032
Other	(5,109)	(3,968)
Net effects of changes in:		
Accounts receivable, net of capital grants	2,543	(5,728)
Prepaid expenses and other assets	(883)	(189)
Other receivables	583	593
Accounts payable and accrued liabilities	(953)	1,190
Liability to City of Oakland	1,461	(1,522)
Unearned revenue	(1,522)	1,460
Deposits	(313)	2,464
Environmental and other liabilities	1,525	292
Net pension liability and related deferred outflows/inflows of resources	4,826	8,078
Net OPEB liability and related deferred outflows/inflows of resources	(4,025)	(3,847)
Net cash provided by operating activities	\$ 179,098	\$ 174,289
Non-cash capital and related financing activities:		
Net change in accounts payable for capital asset purchases	\$ (9,394)	\$ (140)
Prior construction in progress reclassified to expense	1,111	24,980
Net change in retention on capital construction contracts	(3,019)	(1,602)
Net change in grants receivable	14,145	(10,490)
Abandoned construction in progress and other capital assets	10,927	3

(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, 2019 and 2018
(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 outflows/inflows 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, 2019, and 2018, the statements of net position reported \$9,035 and \$10,457 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, 2019 and 2018
(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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers and granting agencies in accordance with contractual arrangements. Unbilled receivables are recognized as accrued accounts receivables and revenue when services are provided. 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, 2019 and 2018
(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 outflows 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, 2019 and 2018
(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, 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 December 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
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

Effects of New Pronouncements

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. As of July 1, 2018, the Port adopted the provisions of GASB 88, refer to note 5 for additional disclosures.

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.

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

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) U.S. Treasury Note, Federal Home Loan Bank Bond, or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Bonds.

On June 30, 2019, 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	\$ 448,988	\$ 4,885	\$ 453,873	Unrated	\$ 453,873 *
Government Securities Money					
Market Mutual Funds	-	1,001	1,001	Unrated	1,001 *
Total Cash Equivalents	448,988	5,886	454,874		454,874
U.S. Treasury Note	-	58,361	58,361	Aaa	58,361
Total Investments	-	58,361	58,361		58,361
Total Cash Equivalents and Investments	<u>\$ 448,988</u>	<u>\$ 64,247</u>	<u>\$ 513,235</u>		<u>\$ 513,235</u>

*Represents weighted average maturity

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

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

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, 2019 and 2018:

Investments by Fair Value Level	2019	Investments Exempt from Fair Value Hierarchy	Fair Value Measurements Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Treasury Note	\$ 58,361	\$ -	\$ 58,361
Government Securities Money Market Mutual Funds	1,001	1,001	-
City Investment Pool	453,873	453,873	-
Total Investments	\$ 513,235	\$ 454,874	\$ 58,361

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

Investment securities classified in Level 1 of the fair value hierarchy consist of a U.S. Treasury Note, and were valued using quoted prices in active markets. Investment securities classified in Level 2 of the fair value hierarchy consist of a Federal Home Loan Bank Bond and were valued using various market and industry inputs. Investments exempt from fair value treatment consist of Government Securities Money Market Mutual Funds and the City Investment Pool. Government Securities Money Market Mutual Funds are valued at their net asset value, and the City Investment Pool is not subject to fair value measurement in the Port's Financial statements. However, the City Investment Pool's 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, 2019, and 2018, the Port had deposits in escrow of \$0 and \$2,284, 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 terms of its investments and establishes minimum allowable credit ratings, as well as other controls. 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 a 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 \$59,362 and \$58,637 at June 30, 2019 and 2018, 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 \$453,873 and \$373,311 invested in the City Investment Pool on June 30, 2019 and 2018, respectively.

The Port did not have any deposits in escrow as of June 30, 2019. As of June 30, 2018, the Port's deposits in escrow was held with two separate banks and totaled \$2,284. Of this amount, bank balances and escrow deposits of \$250 at each bank on June 30, 2018, were 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, 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 federal agencies and government sponsored enterprises;
 - reverse repurchase agreements;
 - deposits – private placement;
 - certificates of deposit;
 - local government investment pools;
 - money market investment funds; and
 - supranational organizations.
- 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, dollar-denominated obligations issued by supranational organizations, certificates of deposit, money market mutual funds, state investment pool (Local Agency Investment Fund), local city/agency bonds and state obligations.

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 Finance Department, Administration, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 5215, Oakland, California 94612.

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4. Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

	Beginning Balance July 1, 2018	Additions	Adjustments and Retirements	Transfers	Ending Balance June 30, 2019
Capital assets not being depreciated					
Land	\$ 523,382	\$ -	\$ -	\$ 18	\$ 523,400
Intangibles (noise easements and air rights)	25,853	-	-	-	25,853
Construction in progress	41,451	33,068	(12,009)	(43,849)	18,661
Total capital assets not being depreciated	<u>590,686</u>	<u>33,068</u>	<u>(12,009)</u>	<u>(43,831)</u>	<u>567,914</u>
Capital assets being depreciated					
Buildings and improvements	986,181	80	-	4,637	990,898
Container cranes	155,697	-	-	3,500	159,197
Infrastructure	2,117,468	-	(29)	18,479	2,135,918
Software	13,844	-	-	-	13,844
Other equipment	103,537	1,515	(1,350)	17,215	120,917
Total capital assets being depreciated	<u>3,376,727</u>	<u>1,595</u>	<u>(1,379)</u>	<u>43,831</u>	<u>3,420,774</u>
Less accumulated depreciation for					
Buildings and improvements	(617,417)	(23,698)	-	-	(641,115)
Container cranes	(108,719)	(5,911)	-	-	(114,630)
Infrastructure	(993,435)	(78,760)	-	-	(1,072,195)
Software	(9,643)	(1,405)	-	-	(11,048)
Other equipment	(73,629)	(5,147)	1,350	-	(77,426)
Total accumulated depreciation	<u>(1,802,843)</u>	<u>(114,921)</u>	<u>1,350</u>	<u>-</u>	<u>(1,916,414)</u>
Total being depreciated, net	<u>1,573,884</u>	<u>(113,326)</u>	<u>(29)</u>	<u>43,831</u>	<u>1,504,360</u>
Total capital assets, net	<u>\$ 2,164,570</u>	<u>\$ (80,258)</u>	<u>\$ (12,038)</u>	<u>\$ -</u>	<u>\$ 2,072,274</u>

For the year ended June 30, 2019, the Port recognized a loss on the disposal of capital assets of \$10,864, consisting of \$10,927 of abandoned construction in progress and disposed infrastructure, which was offset by \$63 of proceeds from the sale of fully depreciated equipment. Additionally, the Port reclassified \$1,111 of prior construction in progress costs to other expense.

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Changes in Capital Assets (continued)

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 \$24,980 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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5. Debt

Long-term debt consists of the following on June 30, 2019:

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	4.20-5.125%	2031	\$ 345,730	\$ 274,030	\$ -	\$ 14,565	\$ 259,465	\$ 16,370
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	363,715	-	645	363,070	-
Total Senior Lien Bonds			<u>726,045</u>	<u>637,745</u>	<u>-</u>	<u>15,210</u>	<u>622,535</u>	<u>16,370</u>
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	4,173	-	270	3,903	282
Intermediate Lien Bonds								
2017 Revenue Bonds Series D	5.00	2030	95,875	95,875	-	-	95,875	350
2017 Revenue Bonds Series E	3.00-5.00	2030	88,985	88,985	-	17,525	71,460	21,600
2017 Revenue Bonds Series F	5.00	2020	30,735	30,735	-	17,380	13,355	13,355
2017 Revenue Bonds Series G	1.85-3.30	2030	38,355	38,355	-	790	37,565	1,040
Total Intermediate Lien Bonds			<u>253,950</u>	<u>253,950</u>	<u>-</u>	<u>35,695</u>	<u>218,255</u>	<u>36,345</u>
Commercial Paper⁽¹⁾								
Series A, B, C Notes	1.20-2.58	2019	N/A	59,955	-	19,555	40,400	-
Series D, E, F Notes	1.39-2.00	2019	N/A	45,415	-	1,340	44,075	-
Total Commercial Paper				<u>105,370</u>	<u>-</u>	<u>20,895</u>	<u>84,475</u>	<u>-</u>
Sub-Total				<u>1,001,238</u>	<u>-</u>	<u>72,070</u>	<u>929,168</u>	<u>52,997</u>
Unamortized bond premium (discount), net				<u>57,960</u>	<u>(93)</u>	<u>9,381</u>	<u>48,486</u>	<u>8,219</u>
Total Debt				<u>1,059,198</u>	<u>(93)</u>	<u>81,451</u>	<u>977,654</u>	<u>\$ 61,216</u>
Current maturities of long-term debt				<u>(60,027)</u>	<u>(61,216)</u>	<u>(60,027)</u>	<u>(61,216)</u>	
Total Debt - long-term portion				<u>\$ 999,171</u>	<u>\$ (61,309)</u>	<u>\$ 21,424</u>	<u>\$ 916,438</u>	

⁽¹⁾ As of June 30, 2019, under the current LOCs, the Port was authorized to issue an aggregate principal amount of commercial paper notes up to \$200 million.

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Debt (Continued)

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
Unamortized bond premium (discount), net				38,784	33,785	14,609	57,960	9,497
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, under current LOCs, the Port was authorized 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 \$410,138 in fiscal year 2019 and \$385,967 in fiscal year 2018.

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						
2020	\$ 52,997	\$ 40,163	\$ -	\$ -	\$ 52,997	\$ 40,163
2021	55,065	38,036	-	-	55,065	38,036
2022	57,543	35,619	-	-	57,543	35,619
2023	60,412	32,756	-	-	60,412	32,756
2024	63,591	29,571	28,158	5,420	91,749	34,991
2025-2028	352,302	99,116	56,317	4,505	408,619	103,621
2029- 2033	202,783	20,273	-	-	202,783	20,273
Total	\$ 844,693	\$ 295,534	\$ 84,475	\$ 9,925	\$ 929,168	\$ 305,459

(1) 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, 2023. For the first 90 days interest is calculated using the higher of 1) BANA prime rate plus 1%, 2) Federal Funds rate plus 2%, or 3) 7.0%. Thereafter, the interest rate specified above is increased by 1.0%.

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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 U.S. Treasury Notes as of June 30, 2019 and a Federal Home Loan Bank Bond as of June 30, 2018.

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).

Events of default under the Senior Lien Trust Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, receivership, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Senior Lien Indenture or the Bonds, which continues for a period of 60 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Senior Lien Trust Indenture. Remedies to any default under the Senior Lien Indenture or its supplements can include acceleration of outstanding senior lien debt.

As of June 30, 2019, the outstanding balance of Senior Lien Bonds is \$622,535.

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.

In the event the Port fails in whole or in part to make payment when due pursuant to the loan agreement between the Port and the DBW, all principal and interest outstanding shall become immediately due and payable.

As of June 30, 2019, one DBW Loan remains outstanding with a balance of \$3,903.

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Intermediate Lien Bonds

Bonds issued under the Intermediate Trust Indenture are next in payment priority. As of June 30, 2019, 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.

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).

Events of default under the Intermediate Lien Trust Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Intermediate Lien Indenture or the Bonds, which continues for a period of 180 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Intermediate Lien Trust Indenture. The Port will also ensure that the tax-exempt status of the bonds is maintained. Remedies to any default under the Intermediate Lien Indenture or its supplements can include bringing suit upon the Intermediate Lien Bonds, or some other legal action to enforce the rights of bondholders.

As of June 30, 2019, the outstanding balance of Intermediate Lien Bonds is \$218,255.

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.

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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Commercial Paper Notes (continued)

On May 10, 2019, the Port extended the LOCs supporting its ABC Series and DEF Series of commercial paper notes, both issued by Bank of America National Association (BANA). Specifically, the expiration dates of both LOCs were extended from June 30, 2019 to June 30, 2023. The BANA LOC supporting the DEF Series of commercial paper notes amounts to \$54,438 (\$50,000 principal and interest of \$4,438) and was originally issued on June 13, 2017, when the Port substituted its then-outstanding JPMorgan Chase Bank National Association (JPMorgan) LOC. The BANA LOC supporting the ABC Series of commercial paper notes amounts to \$163,315 (\$150,000 principal and interest of \$13,315) and was originally issued on June 13, 2016, when the Port substituted its then-outstanding Wells Fargo LOC.

As of June 30, 2019, the outstanding balance of CP Notes under the Port's ABC Series of CP is \$40,400 while the outstanding balance under the Port's DEF Series of CP is \$44,075.

The reimbursement agreements between the Port and BANA, which describe the terms and conditions under which BANA issues the commercial LOCs supporting the Port's CP Notes, contain a number of default provisions and remedies. Events of default include the failure to reimburse draws, advances or term loans issued under the LOCs, or to pay LOC related fees to BANA when due. Breaches of any of the covenants, conditions or agreements in the reimbursement agreements and other CP related documents are also considered defaults, as are breaches of the covenants contained in the Senior Lien Indenture or Intermediate Lien Indenture. The reimbursement agreements also contain default provisions for bankruptcy, failure to make payments on other Port debt, the acceleration of other Port debt, legal/administrative changes affecting the Port's ability to pay its debts or comply with its agreements, and material unsatisfied legal judgments.

Any of the above defaults can trigger the immediate acceleration of LOC related fees to BANA, the reduction of the LOC stated amounts, and/or suspensions of the Port's ability to issue new CP Notes or make draws under the existing LOCs. Any accelerations or payment failures on other Port debt, failures to pay CP related obligations, bankruptcy or limits to the Port's authority may also trigger a further remedy whereby advances and/or term loans under the LOCs would become immediately due and payable.

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Priority of Payment

The following are the priority of payment tables:

	Maturity Date	Total Debt Service to Maturity	FY 2019 Debt Principal and Interest	FY 2019 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 194,104
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 351,800	\$ 28,325	
2012 Revenue Bonds Series P	5/1/2033	<u>512,583</u>	<u>17,808</u>	
Subtotal Senior Lien Bonds		<u>864,383</u>	<u>46,133</u>	<u>(46,133)</u>
Net Pledged Revenues Remaining after Sr. Lien				147,971
Dept. of Boating and Waterways Loan	8/1/2029	<u>5,033</u>	<u>457</u>	<u>(457)</u>
Net Pledged Revenues Remaining after DBW				147,514
Intermediate Lien Bonds:				
2017 Series D	11/1/2029	125,970	4,794	
2017 Series E	11/1/2029	86,897	21,454	
2017 Series F	11/1/2019	13,689	18,482	
2017 Series G	11/1/2029	<u>44,255</u>	<u>1,868</u>	
Subtotal Intermediate Lien Bonds		<u>270,811</u>	<u>46,598</u>	<u>(46,598)</u>
Net Pledged Revenues Remaining after Int. Lien				100,916
Commercial Paper Notes*		<u>94,400</u>	<u>22,564</u>	<u>(22,564)</u>
Net Pledged Revenues Remaining after CP Notes				<u>\$ 78,352</u>
Total		<u>\$ 1,234,627</u>	<u>\$ 115,752</u>	

* The Total Debt Service to Maturity for Commercial Paper includes principal (\$84.5 million) and interest (\$9.9 million) on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements. Of the \$84.5 million of Commercial Paper Notes outstanding, \$36.4 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 \$146 and \$79, respectively). Of the \$22.6 million recorded for commercial paper debt service, \$15.5 million was paid from PFCs, not included in "Total Net Pledged Revenues" above.

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Priority of Payment (continued)

	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>	<u>(45,293)</u>
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>	<u>(53,152)</u>
Net Pledged Revenues Remaining after Int. Lien				81,520
Commercial Paper Notes*		94,400	5,135	(5,135)
Net Pledged Revenues Remaining after CP Notes				<u>\$ 76,385</u>
Total		<u>\$ 1,328,812</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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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>2019 (Discount) Premium</u>	<u>2018 (Discount) Premium</u>
Senior Lien Bonds:		
2011 Series O	\$ 655	\$ 1,234
2012 Series P	25,220	28,612
Subtotal Senior Lien Bonds	<u>25,875</u>	<u>29,846</u>
Intermediate Lien Bonds:		
2017 Series D	14,456	16,855
2017 Series E	7,989	10,361
2017 Series F	171	913
Subtotal Intermediate Lien Bonds	<u>22,616</u>	<u>28,129</u>
Commercial Paper	(5)	(15)
Total	<u>\$ 48,486</u>	<u>\$ 57,960</u>

6. Environmental and Other Liabilities

Changes in environmental and other liabilities for the years ended June 30, 2019 and 2018 are as follows:

	<u>Beginning Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Accrued vacation, sick leave and compensatory time	\$ 6,999	\$ 1,976	\$ (1,449)	\$ 7,526	\$ 6,311
Pollution liability (Note 13)	17,754	4,422	(5,098)	17,078	1,640
Workers' compensation (Note 14)	10,661	4,527	(2,004)	13,184	2,004
Lease terminal loss contingency (Note 13)	17,997	-	(1,197)	16,800	3,300
Other long-term liabilities	3,701	832	(484)	4,049	-
Total	<u>\$ 57,112</u>	<u>\$ 11,757</u>	<u>\$ (10,232)</u>	<u>\$ 58,637</u>	<u>\$ 13,255</u>
	<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 (Note 13)	19,978	-	(1,981)	17,997	3,750
Other long-term liabilities	3,516	350	(165)	3,701	-
Total	<u>\$ 56,820</u>	<u>\$ 14,551</u>	<u>\$ (14,259)</u>	<u>\$ 57,112</u>	<u>\$ 13,553</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:

	2019	2018
Minimum non-cancelable rentals, including preferential assignments	\$ 163,993	\$ 146,310
Contingent rentals in excess of minimums	41,233	43,422
	\$ 205,226	\$ 189,732

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:

2020	\$	164,703
2021		165,936
2022		168,662
2023		163,983
2024		163,511
2025-2029		633,944
2030-2034		411,365
2035-2039		109,978
2040-2044		60,930
2045-2049		66,236
2050-2054		76,265
Thereafter		522,421
	\$	2,707,934

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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:

2020	\$	465
2021		479
2022		493
2023		508
2024		524
2025-2029		2,863
2030-2034		3,319
2035-2039		3,848
2040-2044		4,460
2045-2049		5,171
2050-2054		5,777
	\$	<u>27,907</u>

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

	<u>2019</u>	<u>2018</u>
Land	\$ 296,833	\$ 298,940
Container cranes	159,197	155,697
Buildings and improvements	195,549	195,555
Infrastructure	1,007,035	984,368
	<u>1,658,614</u>	<u>1,634,560</u>
Less accumulated depreciation	<u>(815,671)</u>	<u>(763,046)</u>
Net capital assets, on lease	<u>\$ 842,943</u>	<u>\$ 871,514</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, 2019 and 2018 are as follows

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Marina capital lease unearned interest revenue	\$ 18,037	\$ -	\$ (503)	\$ 17,534	\$ 503
Oakland Fuel Facilities Corporation	7,116	150	(580)	6,686	580
Unearned tenant rent	8,326	6,414	(6,928)	7,812	6,630
Other unearned revenue	<u>725</u>	<u>-</u>	<u>(75)</u>	<u>650</u>	<u>75</u>
Total	\$ 34,204	\$ 6,564	\$ (8,086)	\$ 32,682	\$ 7,788

	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
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	<u>827</u>	<u>10</u>	<u>(113)</u>	<u>725</u>	<u>75</u>
Total	\$ 32,744	\$ 6,872	\$ (5,413)	\$ 34,204	\$ 8,086

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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, 2019 and 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 2019 ⁽²⁾	11.302%	11.302%	10.052-11.302%
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) Excludes contribution payments for unfunded liability

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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 five 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 years ended June 30, 2019 and 2018, the Port paid contributions to the Miscellaneous Plan of \$21,832 and \$19,253, 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, 2019 and 2018, the Port recognized principal payments of \$525 and \$524, 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, 2019 and 2018, the Port reported total net pension liability as follows:

	<u>2019</u>	<u>2018</u>
City's Miscellaneous plan - proportion share	\$ 203,202	\$ 219,306
Safety plan - remaining obligation	2,910	3,435
Total net pension liability	<u>\$ 206,112</u>	<u>\$ 222,741</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>2019</u>	<u>2018</u>
Measurement date	6/30/2018	6/30/2017
Valuation date	6/30/2017	6/30/2016
Measurement period	7/1/17-6/30/18	7/1/16-6/30/17
Proportionate share	24.20%	24.80%

For the years ended June 30, 2019 and 2018, the Port recognized pension expense including amortization of deferred outflows/inflows related pension items of \$26,658 and \$27,855, respectively. At June 30, 2019 and 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>		<u>2018</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	\$ 10,539	\$ 3,085	\$ 22,802	\$ -
Net difference between projected and actual earnings on pension plan investments	1,198	-	6,073	-
Change in proportionate share	-	3,113	-	-
Net differences between expected and actual experience	-	2,740	-	2,565
Pension contributions subsequent to the measurement date	21,832	-	19,777	-
	<u>\$ 33,569</u>	<u>\$ 8,938</u>	<u>\$ 48,652</u>	<u>\$ 2,565</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 outflows/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):

2020	\$	11,403
2021		(2,896)
2022		(4,470)
2023		(1,238)
	\$	<u>2,799</u>

Actuarial Methods and Assumptions

For the years ended June 30, 2019 and 2018, 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:

	2019	2018
Measurement date	6/30/2018	6/30/2017
Valuation date	6/30/2017	6/30/2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	2.75-3.00%	3.00%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investments expenses; includes inflation	7.15% net of pension plan investments expenses; includes inflation
Mortality Rate Table	Based on the 2017 CalPERS Experience Study from 1997 to 2015 ⁽¹⁾	Based on the 2014 CalPERS Experience Study from 1997 to 2011 ⁽²⁾
Postretirement Benefit Increase	Contract cost of living adjustment up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of Scale MP 2016.

⁽²⁾ The 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, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015 and the June 30, 2016 valuation was 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, 2019 and 2018 was 7.15%. 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% 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+ 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 adjusted to account for assumed administrative expenses.

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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, 2017 valuation.

<u>Asset Class ⁽¹⁾</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10⁽²⁾</u>	<u>Real Return Years 11+⁽³⁾</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
Total	<u>100.0%</u>		

⁽¹⁾ In CalPERS' CAFR, Fixed Income is included in the Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

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>		

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

⁽²⁾ An 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, 2019 and 2018 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, 2018 (measurement date)			
Port's proportionate share of the City's			
Miscellaneous plan net pension liability	\$283,933	\$203,202	\$135,875
	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

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

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

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 and directly to beneficiaries (Pay-go), and funds the remaining actuarially determined contribution (ADC) to the CERBT fund. For the years ended June 30, 2019 and 2018, the Port's cash contributions consisted of the following:

	2019	2018
Direct payments (Pay-go)	\$ 7,940	\$ 7,737
CERBT fund contribution	5,500	5,500
Estimated implied subsidy	1,454	1,495
Total cash contribution	\$ 14,894	\$ 14,732

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Net OPEB Liability

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the years ended June 30, 2019 and 2018, the following timeframes were used:

	<u>2019</u>	<u>2018</u>
Valuation Date	6/30/2017	6/30/2017
Measurement Date	6/30/2018	6/30/2017
Measurement Period	7/1/17 – 6/30/18	7/1/16 – 6/30/17

For the year ended June 30, 2018, 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. For the year ended June 30, 2019, the Port's net OPEB liability was measured by rolling forward the total OPEB liability from June 30, 2017 valuation to the measurement date. The June 30, 2017, valuation used 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⁾	3.50-6.25% per year increase for medical, 4.0% per year increase for vision and dental, and 0.0%-5.5% per year increase for Medicare Part B

⁽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.

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(dollar amounts in thousands)

Net OPEB Liability (continued)

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:

	Target Allocation	Expected Arithmetic Nominal Return (50 yrs) ⁽¹⁾
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	100.0%	
Expected Arithmetic Return (50 years)		7.32%
Expected Geometric Return (50 years)		6.70%

⁽¹⁾ Rates include a 2.50% long-term inflation assumption.

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.

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Changes in the OPEB Liability

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

	<u>Increase (Decrease)</u>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance as of June 30, 2018	\$ 170,798	\$ 66,921	\$ 103,877
Changes recognized for the measurement period:			
Service cost	4,329	-	4,329
Interest on the total OPEB liability	11,521	-	11,521
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	-	-
Changes in assumptions	-	-	-
Benefit payments	(9,045)	(9,045)	-
Contribution from employer	-	14,545	(14,545)
Net investment income	-	5,351	(5,351)
Administrative expense	-	(35)	35
Total changes	<u>6,805</u>	<u>10,816</u>	<u>(4,011)</u>
Balance as of June 30, 2019	<u>\$ 177,603</u>	<u>\$ 77,737</u>	<u>\$ 99,866</u>

	<u>Increase (Decrease)</u>		
	Total OPEB Liability (a)	Plan 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>

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

The following presents the Port's net OPEB liability as of June 30, 2019 and 2018 measurement dates calculated using the current discount rate, as well as what the Port's net OPEB liability would be if it were calculated using a discount rate that is 1% lower to 1% higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
As of June 30, 2018, (measurement date) Net OPEB Liability	\$121,862	\$99,866	\$81,540
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
As of June 30, 2017, (measurement date) Net OPEB Liability	\$125,311	\$103,877	\$85,050

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

The following presents the Port's net OPEB liability as of the June 30, 2019 and 2018, measurement dates calculated using the current healthcare cost trend rates as well as what the Port's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower to 1% higher than the current rate:

	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in Healthcare Costs Trend Rate
As of June 30, 2018, (measurement date) Net OPEB Liability	\$78,773	\$99,866	\$125,351
	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in Healthcare Costs Trend Rate
As of June 30, 2017, (measurement date) Net OPEB Liability	\$84,786	\$103,877	\$126,892

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

For the years ended June 30, 2019 and 2018, the Port recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items of \$10,683 and \$10,885, respectively. The Port reported deferred outflows/inflows of resources related to OPEB from the following sources at June 30:

	<u>2019</u>		<u>2018</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>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 1,640	\$ -	\$ 1,492
OPEB contributions subsequent to the measurement date	14,894	-	14,732	-
	<u>\$ 14,894</u>	<u>\$ 1,640</u>	<u>\$ 14,732</u>	<u>\$ 1,492</u>

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

2020	\$ (503)
2021	(503)
2022	(503)
2023	(131)
	<u>\$ (1,640)</u>

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.

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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 \$6,741 and \$6,480 in the years ended June 30, 2019 and 2018, respectively, and are included in Operating Expenses. At June 30, 2019 and 2018, \$6,937 and \$6,210, 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, 2019, and 2018, the Port accrued approximately \$962 and \$1,331, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,588 and \$1,134 to reimburse the City for Lake Merritt Trust Services in fiscal years 2019 and 2018, 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, 2019 and 2018, unearned rent was approximately \$453 and \$523, respectively. The amount classified as short-term unearned revenue at June 30, 2019 and 2018 was \$70.

12. Commitments

Capital Program

As of June 30, 2019, the Port had construction commitments for the acquisition and construction of assets as follows:

Aviation	\$ 28,319
Maritime	<u>7,136</u>
Total	<u><u>\$ 35,455</u></u>

The most significant projects for which the Port has contractual commitments for construction are the Airport Perimeter Dike Improvements for \$13,473, various terminal improvements including restroom upgrades, flooring replacement, and removal of the moving walkway for \$8,164, and equipment installation at two Maritime substations for \$6,439.

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Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has four power purchase agreements including East Bay Municipal Utility District (EBMUD), Western Area Power Administration (WAPA), SunE H3 Holdings, LLC (SunE), and Northern California Power Agency (NCPA) 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 with no Annual Escalator through 2017; Approx. \$464 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 (Changes annually depending on revenue requirement for power generation projects)
SunE	2027	Take and Pay – (Pay contract price only if energy is received)	1,200 MWH	Approx. \$200 with Annual Escalator
NCPA	2041	Take and Pay – (Pay contract price only if energy is received)	11,300 MWH	Approx. \$440 with no Annual Escalator

In addition to the aforementioned power purchase agreements, as of June 30, 2019, the Port held multiple forward power purchase contracts totaling approximately \$3,400 with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2020.

Port of Oakland
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(dollar amounts in thousands)

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, 2019 and 2018, is as follows:

<u>Obligating Event</u>	2019	
	Liability, net of recovery	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 1,333	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	13,939	179
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	1,806	-
Total by Obligating Event	<u>\$ 17,078</u>	<u>\$ 179</u>
	2018	
<u>Obligating Event</u>	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>

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).

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

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.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

Lease Terminal Loss Contingency

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 Berths 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 needed significant repairs and deferred maintenance. As of June 30, 2019, and 2018, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately \$16,800 and \$17,997, respectively.

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.

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 2019 and 2018, 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.

Port of Oakland
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For the years ended June 30, 2019 and 2018
(dollar amounts in thousands)

Workers' Compensation

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

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	10,661
Current year changes in estimates	4,527
Claim payments	<u>(2,004)</u>
Workers' compensation liability at June 30, 2019	<u>\$ 13,184</u>

The workers' compensation liability of \$13,184 at June 30, 2019 is based upon an actuarial study performed as of June 30, 2019 that assumed a probability level of 80% and a discount rate of 0.0%. The workers' compensation liability balance 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%.

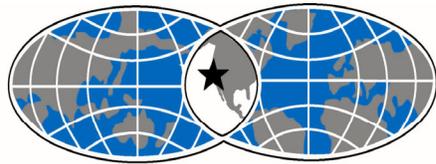
Capital Improvement Projects

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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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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	24.20%	24.80%	25.00%	25.00%	24.86%
Covered payroll (measurement period)	\$ 54,813	\$ 54,114	\$ 53,400	\$ 50,093	\$ 48,524
Proportionate share of net pension liability	\$ 203,202	\$ 219,306	\$ 200,186	\$ 172,915	\$ 160,287
Proportionate share of net pension liability as a percentage of covered payroll	331.35%	374.78%	357.25%	319.05%	305.51%
Plan fiduciary net position as a percentage of total pension liability	69.17%	66.90%	67.34%	71.01%	72.55%

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 -

Discount rate was changed as follows:

Fiscal year 2015 - 7.5%, net of administrative expenses

Fiscal year 2016 through 2017 - 7.65%, without reduction for pension plan administrative expenses.

Fiscal year 2018 through 2019 - 7.15%

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

City of Oakland CalPERS Miscellaneous Unit - Pension Plan

Fiscal year	2019	2018	2017	2016	2015
Actuarially determined contribution (ADC)	\$ 21,832	\$ 19,253	\$ 18,906	\$ 15,989	\$ 14,735
Contributions in relation to the ADC	(21,832)	(19,253)	(18,906)	(15,989)	(14,735)
Contribution deficiency/(excess)	<u>\$ -</u>				
Covered payroll (for the fiscal year)	\$ 58,104	\$ 54,813	\$ 54,114	\$ 53,400	\$ 50,093
Contributions as a percentage of covered payroll	34.46%	31.39%	32.31%	28.53%	27.19%

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.

Methods and assumptions used to determine contributions:

ADC for each fiscal year was established by an actuarial valuation report for the fiscal years as follows:

ADC for fiscal year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarial valuation date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012

Actuarial cost method Entry Age Normal

Asset valuation method In fiscal years 2019-2016 the market value of assets was used. In fiscal year 2015 the actuarial value of assets was used.

Inflation 2.75%

Salary increases Varies by entry age and services

Payroll growth 3.00%

Investment Rate of return In fiscal year 2019, 7.35%, net of administrative expenses, including inflation. In fiscal year 2018 through 2015, 7.50%, net of administrative expenses, including inflation.

Retirement age In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. In fiscal year 2016 and 2015, the probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.

Mortality In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. In fiscal year 2016 and 2015, the probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-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>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 4,329	\$ 4,055
Interest on the total OPEB liability	11,521	11,089
Benefit payments	<u>(9,045)</u>	<u>(9,000)</u>
Net change in total OPEB liability	6,805	6,144
Total OPEB liability - beginning	170,798	164,654
Total OPEB liability - ending (a)	<u><u>\$ 177,603</u></u>	<u><u>\$ 170,798</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 14,545	\$ 15,400
Net investment income	5,351	5,773
Benefits payments	(9,045)	(9,000)
Administrative expense	<u>(35)</u>	<u>(22)</u>
Net change in plan fiduciary net position	10,816	12,151
Plan fiduciary net position - beginning	66,921	54,770
Plan fiduciary net position - ending (b)	<u><u>\$ 77,737</u></u>	<u><u>\$ 66,921</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 99,866</u></u>	<u><u>\$ 103,877</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	43.77%	39.18%
Covered-employee payroll (for the measurement period)	\$ 61,326	\$ 58,516
Net OPEB liability as a percentage of covered-employee payroll	162.84%	177.52%

Note:

*Historical information is required only for measurement periods for which GASB 75 is applicable. The 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 year ended June 30
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 13,310	\$ 13,203
Contribution in relation to the ADC	<u>(14,894)</u>	<u>(14,732)</u>
Contribution deficiency/(excess)	<u>\$ (1,584)</u>	<u>\$ (1,529)</u>
Covered-employee payroll (for the fiscal year)	\$ 63,359	\$ 61,326
Contributions as a percentage of covered-employee payroll	23.51%	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 years and 2019 and 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 of Assets
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	3.50-6.25% per year increase for medical, 4.0% per year increase for vision and dental, and 0.0%-5.5% per year increase for Medicare Part B
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

**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, 2019 and 2018
(dollar amounts in thousands)

	2019				2018			
	Aviation	Maritime	Commercial Real Estate	Total	Aviation	Maritime	Commercial Real Estate	Total
Operating revenues:								
Lease rentals - terminal	\$ 63,373	\$ 120,550	\$ -	\$ 183,923	\$ 59,538	\$ 112,526	\$ -	\$ 172,064
Lease rentals - other	31,614	23,963	14,343	69,920	30,790	25,198	13,792	69,780
Parking fees and ground access	56,231	8,046	2,800	67,077	55,317	7,422	2,597	65,336
Landing fees	36,849	-	-	36,849	37,001	-	-	37,001
Terminal concessions	9,930	-	-	9,930	10,501	-	-	10,501
Utility sales	4,120	14,384	102	18,606	4,301	10,989	101	15,391
Rail terminal rent	-	3,979	-	3,979	-	3,173	-	3,173
Fueling	2,582	-	-	2,582	2,414	-	-	2,414
Other	3,323	54	754	4,131	4,431	150	770	5,351
Total operating revenues	208,022	170,976	17,999	396,997	204,293	159,458	17,260	381,011
Operating expenses:								
Personnel services, materials, services supplies, and other	54,292	15,187	5,467	74,946	55,011	15,478	5,430	75,919
Maintenance and engineering	37,428	28,548	750	66,726	34,753	26,114	684	61,551
Marketing and public relations	4,203	1,469	685	6,357	3,822	1,453	589	5,864
Administration and general services	10,485	6,946	2,412	19,843	11,733	6,800	2,188	20,721
Utilities	5,354	6,038	495	11,887	5,682	5,831	508	12,021
Security, police and fire	33,581	1,569	1,123	36,273	27,188	1,355	926	29,469
Depreciation	56,577	55,934	2,410	114,921	55,188	54,334	2,510	112,032
Total operating expenses	201,920	115,691	13,342	330,953	193,377	111,365	12,835	317,577
Operating income	6,102	55,285	4,657	66,044	10,916	48,093	4,425	63,434
Non-operating revenues (expenses):								
Interest income	1,432	10,632	1,299	13,363	1,063	3,279	767	5,109
Interest expense	(6,375)	(29,879)	(350)	(36,604)	(6,844)	(32,392)	(459)	(39,695)
Customer facility charges revenue	5,421	-	-	5,421	5,525	-	-	5,525
Customer facility charges expenses	(5,440)	-	-	(5,440)	(4,678)	-	-	(4,678)
Passenger facility charges	25,819	-	-	25,819	25,903	-	-	25,903
Other income	246	2,511	18	2,775	212	201	6,474	6,887
Other expense	(884)	(4,976)	(193)	(6,053)	(1,497)	(27,185)	(214)	(28,896)
Grant income	203	251	-	454	324	-	-	324
Grant expenses	(203)	(251)	-	(454)	(324)	-	-	(324)
Loss on disposal of capital assets	(10,864)	-	-	(10,864)	(5)	-	-	(5)
Total non-operating revenues (expenses), net	9,355	(21,712)	774	(11,583)	19,679	(56,097)	6,568	(29,850)
Increase/(decrease) in net position before capital contributions	15,457	33,573	5,431	54,461	30,595	(8,004)	10,993	33,584
Capital contributions - Grants from government agencies	8,238	-	-	8,238	45,051	5,121	-	50,172
Increase/(decrease) in net position	\$ 23,695	\$ 33,573	\$ 5,431	\$ 62,699	\$ 75,646	\$ (2,883)	\$ 10,993	\$ 83,756

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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>2019</u>	<u>2018</u> ⁽¹⁾	<u>2017</u>	<u>2016</u>	<u>2015</u> ⁽²⁾	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u> ⁽³⁾	<u>2010</u>
Net position:										
Net investment in capital assets	\$ 1,155,256	\$ 1,155,086	\$ 1,106,547	\$ 1,097,049	\$ 1,053,882	\$ 986,959	\$ 944,974	\$ 882,351	\$ 869,014	\$ 881,567
Restricted	9,035	10,457	22,392	14,840	12,066	10,072	14,178	20,553	17,187	11,677
Unrestricted	<u>99,395</u>	<u>35,444</u>	<u>72,797</u>	<u>30,657</u>	<u>(26,190)</u>	<u>113,160</u>	<u>69,267</u>	<u>39,430</u>	<u>19,774</u>	<u>(2,258)</u>
Total net position	<u>\$ 1,263,686</u>	<u>\$ 1,200,987</u>	<u>\$ 1,201,736</u>	<u>\$ 1,142,546</u>	<u>\$ 1,039,758</u>	<u>\$ 1,110,191</u>	<u>\$ 1,028,419</u>	<u>\$ 942,334</u>	<u>\$ 905,975</u>	<u>\$ 890,986</u>

Notes:

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

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)

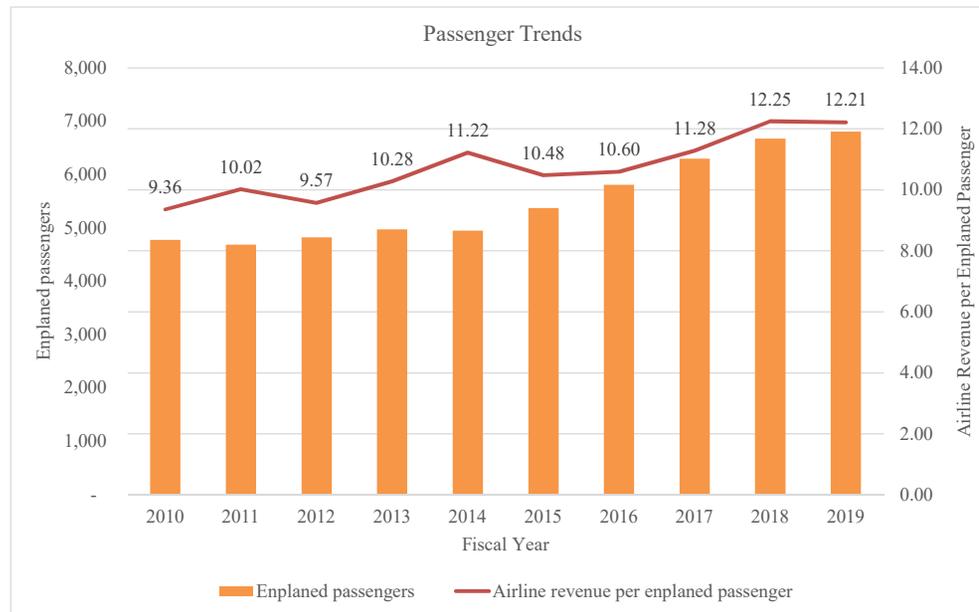
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:										
Aviation	\$ 208,022	\$ 204,293	\$ 190,657	\$ 173,067	\$ 162,135	\$ 157,220	\$ 150,871	\$ 140,309	\$ 135,173	\$ 130,284
Maritime	170,976	159,458	151,377	148,772	158,684	152,657	151,869	152,988	151,854	143,344
Commercial real estate	17,999	17,260	16,673	16,198	15,768	13,163	12,778	12,841	10,956	11,597
Total operating revenues	<u>396,997</u>	<u>381,011</u>	<u>358,707</u>	<u>338,037</u>	<u>336,587</u>	<u>323,040</u>	<u>315,518</u>	<u>306,138</u>	<u>297,983</u>	<u>285,225</u>
Operating expenses:										
Aviation	201,920	193,377	176,591	165,344	161,489	153,989	150,461	152,064	152,086	152,099
Maritime	115,691	111,365	106,302	107,135	100,609	96,605	87,683	85,156	83,383	84,004
Commercial real estate	13,342	12,835	12,148	12,755	13,324	12,991	11,713	11,590	11,349	12,606
Total operating expenses ⁽¹⁾	<u>330,953</u>	<u>317,577</u>	<u>295,041</u>	<u>285,234</u>	<u>275,422</u>	<u>263,585</u>	<u>249,857</u>	<u>248,810</u>	<u>246,818</u>	<u>248,709</u>
Operating income	<u>66,044</u>	<u>63,434</u>	<u>63,666</u>	<u>52,803</u>	<u>61,165</u>	<u>59,455</u>	<u>65,661</u>	<u>57,328</u>	<u>51,165</u>	<u>36,516</u>
Non-operating revenues (expenses):										
Interest income	13,363	5,109	2,713	2,149	1,783	1,373	1,095	1,755	2,876	4,741
Interest expense	(36,604)	(39,695)	(47,695)	(49,889)	(51,636)	(53,977)	(59,598)	(66,798) ⁽⁵⁾	(70,714) ⁽⁵⁾	(74,624)
Loss on debt defeasance	-	-	-	-	-	-	-	-	-	(4,158)
Customer facility charges revenue	5,421	5,525	6,010	5,939	6,253	5,625	5,387	5,184	4,764	4,530
Customer facility charges expenses ⁽²⁾	(5,440)	(4,678)	(4,531)	(4,307)	(4,137)	(4,219)	-	-	-	-
Passenger facility charges	25,819	25,903	24,520	22,929	21,478	19,698	19,924	19,758	19,106	19,702
Grant income	454	324	1,001	1,419	3,874	-	-	-	-	-
Grant expenses	(454)	(324)	(1,001)	(1,419)	(3,874)	-	-	-	-	-
Other income (expenses)	(3,278)	(22,009)	(1,844)	3,744	3,176	(2,727)	3,668	(1,809)	1,438	292
Gain on lease termination	-	-	5,526	35,200	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(10,864)	(5)	(2,869)	(629)	84	(3,791)	12,052	(2,276)	-	(6,562)
Total net non-operating revenues (expenses)	<u>(11,583)</u>	<u>(29,850)</u>	<u>(18,170)</u>	<u>15,136</u>	<u>(22,999)</u>	<u>(38,018)</u>	<u>(17,472)</u>	<u>(44,186)</u>	<u>(42,530)</u>	<u>(56,079)</u>
Change in net position before capital contributions	<u>54,461</u>	<u>33,584</u>	<u>45,496</u>	<u>67,939</u>	<u>38,166</u>	<u>21,437</u>	<u>48,189</u>	<u>13,142</u>	<u>8,635</u>	<u>(19,563)</u>
Capital contributions:										
Grants from government agencies	8,238	50,172	13,694	34,849	73,725	60,335	37,896	23,217	27,343	21,343
Total capital contributions	<u>8,238</u>	<u>50,172</u>	<u>13,694</u>	<u>34,849</u>	<u>73,725</u>	<u>60,335</u>	<u>37,896</u>	<u>23,217</u>	<u>27,343</u>	<u>21,343</u>
Change in net position	62,699	83,756	59,190	102,788	111,891	81,772	86,085	36,359	35,978	1,780
Net position, beginning of the year	1,200,987	1,117,231 ⁽³⁾	1,142,546	1,039,758	927,867 ⁽⁴⁾	1,028,419	942,334	905,975	869,997 ⁽⁶⁾	889,206
Net position, end of the year	<u>\$ 1,263,686</u>	<u>\$ 1,200,987</u>	<u>\$ 1,201,736</u>	<u>\$ 1,142,546</u>	<u>\$ 1,039,758</u>	<u>\$ 1,110,191</u>	<u>\$ 1,028,419</u>	<u>\$ 942,334</u>	<u>\$ 905,975</u>	<u>\$ 890,986</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 in fiscal year 2018 decreased \$84,505 due to the adoption of GASB 75.
- (4) The beginning net position balance in fiscal year 2015 decreased \$182,324 due to the adoption of GASB 68.
- (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 2011 decreased \$20,989 due to the adoption of GASB 65.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Aviation revenues:										
Terminal rental ⁽¹⁾	\$ 59,705	\$ 56,064	\$ 47,555	\$ 41,719	\$ 36,194	\$ 35,657	\$ 31,232	\$ 26,501	\$ 27,364	\$ 25,497
Landing fees (excludes cargo airlines)	23,441	25,724	23,492	19,876	20,136	19,903	19,902	19,700	19,626	19,207
Total airline revenues	83,146	81,788	71,047	61,595	56,330	55,560	51,134	46,201	46,990	44,704
Concession ⁽³⁾⁽⁴⁾	9,930	22,775	24,563	23,408	22,019	20,845	20,104	19,372	19,128	18,797
Parking and ground access ⁽³⁾	56,231	43,400	40,867	36,826	33,349	31,848	30,548	29,252	28,813	28,002
Lease rentals	31,614	30,790	30,505	29,836	28,572	26,635	26,779	24,272	20,707	19,776
Landing fees--cargo airlines	11,512	11,277	9,770	9,333	9,647	9,449	8,860	8,640	8,673	7,646
Aviation fueling	2,582	2,414	2,422	2,335	2,940	3,914	3,918	3,984	3,561	3,590
Utility sales	4,120	4,301	4,359	4,257	4,201	4,212	5,324	3,846	4,427	3,690
Other ⁽²⁾⁽⁴⁾	8,887	7,548	7,124	5,475	5,077	4,758	4,205	4,740	2,873	4,078
Total revenues	\$ 208,022	\$ 204,293	\$ 190,657	\$ 173,065	\$ 162,135	\$ 157,221	\$ 150,872	\$ 140,307	\$ 135,172	\$ 130,283
Enplaned passengers	6,808	6,677	6,296	5,812	5,374	4,950	4,973	4,826	4,688	4,778
Airline revenue per enplaned passenger	\$ 12.21	\$ 12.25	\$ 11.28	\$ 10.60	\$ 10.48	\$ 11.22	\$ 10.28	\$ 9.57	\$ 10.02	\$ 9.36



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) Beginning in fiscal year 2019, Car Rental revenue is recorded with Parking & Ground Access revenue. In 2018 and prior Car Rental revenue was reported with Concessions revenue.
- (4) Beginning in fiscal 2019, Tenant Infrastructure Fee revenue is reported with Other revenues. In 2018 and prior Tenant Infrastructure Fee was reported as Concessions revenue.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PASSENGERS										
Enplaned	6,807,835	6,676,712	6,296,349	5,812,058	5,374,187	4,949,628	4,973,107	4,825,802	4,687,878	4,777,514
Deplaned	6,807,936	6,680,091	6,297,022	5,802,787	5,380,369	4,940,643	4,977,749	4,817,753	4,679,699	4,780,661
Total	<u>13,615,771</u>	<u>13,356,803</u>	<u>12,593,371</u>	<u>11,614,845</u>	<u>10,754,556</u>	<u>9,890,271</u>	<u>9,950,856</u>	<u>9,643,555</u>	<u>9,367,577</u>	<u>9,558,175</u>
FREIGHT (in 000 lb)										
Inbound	654,577	651,641	582,548	575,796	581,482	563,601	529,605	532,724	536,601	516,536
Outbound	662,614	658,541	592,279	605,329	594,450	571,474	543,928	552,475	568,082	541,473
Total	<u>1,317,191</u>	<u>1,310,182</u>	<u>1,174,827</u>	<u>1,181,125</u>	<u>1,175,932</u>	<u>1,135,075</u>	<u>1,073,533</u>	<u>1,085,199</u>	<u>1,104,683</u>	<u>1,058,009</u>
TOTAL AIR CARGO (in 000 lb)	1,329,820	1,320,948	1,183,119	1,190,372	1,188,335	1,147,454	1,087,140	1,104,388	1,124,605	1,079,243
(Freight & mail)										
LANDED WEIGHT (in 000 lb) ⁽¹⁾										
Passenger carriers	7,746,063	7,833,331	7,347,655	6,670,725	6,247,035	5,946,026	6,090,830	6,076,945	5,957,187	6,328,081
Cargo carriers	3,651,806	3,519,152	3,136,160	3,173,690	2,978,823	2,832,982	2,691,589	2,634,870	2,624,269	2,494,619
Total	<u>11,397,869</u>	<u>11,352,483</u>	<u>10,483,815</u>	<u>9,844,415</u>	<u>9,225,858</u>	<u>8,779,008</u>	<u>8,782,419</u>	<u>8,711,815</u>	<u>8,581,456</u>	<u>8,822,700</u>
AIRCRAFT MOVEMENTS	121,631	120,518	112,763	112,037	104,592	100,384	102,470	107,652	106,260	114,327
PARKING										
Number of stalls ⁽²⁾	6,805	6,895	6,898	6,898	6,878	6,621	6,516	6,516	6,950	6,315
Average revenue per stall	\$4,797	\$4,883	\$4,856	\$4,544	\$4,203	\$4,016	\$3,900	\$3,688	\$3,391	\$3,605

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 2019 and Fiscal Year 2010
(dollar amounts in thousands)

<u>Fiscal Year 2019</u>	Percent of		<u>Fiscal Year 2010</u>	Percent of	
	<u>Revenue</u>	<u>Total Aviation Revenue</u>		<u>Revenue</u>	<u>Total Aviation Revenue</u>
Southwest Airlines	\$ 54,682	26.3%	Southwest Airlines	\$ 31,026	23.8%
On-Airport Public Parking ⁽¹⁾	32,640	15.7%	On-Airport Public Parking ⁽²⁾	22,768	17.5%
Federal Express Corp.	20,856	10.0%	Federal Express Corp.	11,123	8.5%
Signature Flight Support Acquisition Co. LLC	8,089	3.9%	Avis Budget Group, Inc.	5,495	4.2%
Alaska Airlines	6,124	2.9%	Hertz Corporation	4,812	3.7%
Enterprise Rent-A-Car	6,030	2.9%	Jet Blue Airways	3,462	2.7%
Avis Budget Group, Inc.	5,532	2.7%	United Parcel Service	3,174	2.4%
United Parcel Service	5,088	2.4%	Dollar Systems, Inc.	2,971	2.3%
Hertz Corporation	4,806	2.3%	Alaska Airlines	2,889	2.2%
Rasier-CA, LLC (UBER)	4,581	2.2%	Oakland Fuel Facilities Corp.	2,435	1.9%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Landing Fees (per 1,000 lbs. MGLW)⁽²⁾</u>										
Basic Landing Rate	\$ 3.14	\$ 3.19	\$ 3.13	\$ 2.94	\$ 3.24	\$ 3.33	\$ 3.29	\$ 3.27	\$ 3.30	\$ 3.06
<u>Terminal Space Rental (per square foot per year)</u>										
Type1 - Ticket Counter	\$ 354.12	\$ 335.77	\$ 299.90	\$ 268.00	\$ 241.62	\$ 242.93	\$ 211.56	\$ 176.26	\$ 176.81	\$ 164.81
Type2 - Office Space	318.71	302.20	269.91	241.20	217.46	218.64	190.40	158.63	159.13	148.33
Type3 - Baggage Space ⁽³⁾	283.30	268.62	239.92	214.40	193.30	194.34	169.24	141.00	141.45	131.86
Type4 - Baggage Make-Up	247.88	235.04	209.93	187.60	169.13	170.06	148.10	123.39	123.77	115.37
Type5 - Ticket Counter (Others)	177.06	167.89	149.95	134.00	120.81	121.47	105.78	88.13	88.41	82.42
Type6 - Office Space (Others)	159.35	151.09	134.96	120.60	108.73	109.32	95.21	79.32	79.56	74.16
Type7 - Baggage Make-Up (Others)	123.84	117.52	104.97	93.80	84.57	85.03	74.05	61.69	61.88	57.68
<u>Primary Holdroom, Loading Bridge Rental (per holdroom per month)</u>										
Holdroom, Loading Bridge	\$ 65,005	\$ 61,651	\$ 56,491	\$ 54,479	\$ 46,794	\$ 46,835	\$ 41,907	\$ 36,080	\$ 36,006	\$ 32,801

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)

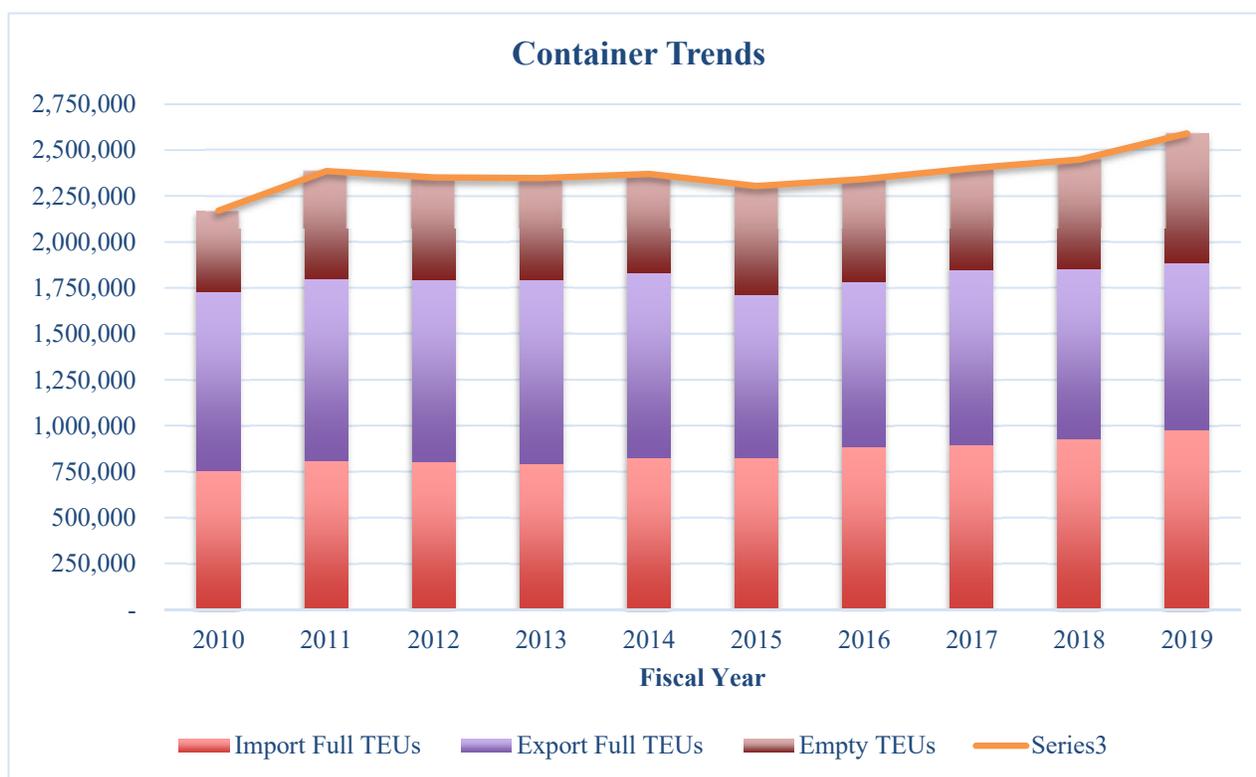
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Maritime revenues:										
Lease rentals - terminal	\$ 120,550	\$ 112,526	\$ 108,710	\$ 113,864	\$ 133,689	\$ 134,845	\$ 139,415	\$ 140,777	\$ 138,964	\$ 130,254
Lease rentals - other	23,963	25,198	23,260	17,335	12,984	8,665	6,518	5,726	5,771	6,961
Parking fees ⁽²⁾	8,046	7,422	6,916	6,137	-	-	-	-	-	-
Rail terminal rent ⁽³⁾	3,979	3,173	3,065	-	-	-	-	-	-	-
Other revenues	54	150	(315)	1,443	2,571	3,313	1,921	2,203	2,881	1,813
Utility sales	14,384	10,989	9,741	9,993	9,440	5,834	4,015	4,282	4,238	4,316
	<u>\$ 170,976</u>	<u>\$ 159,458</u>	<u>\$ 151,377</u>	<u>\$ 148,772</u>	<u>\$ 158,684</u>	<u>\$ 152,657</u>	<u>\$ 151,869</u>	<u>\$ 152,988</u>	<u>\$ 151,854</u>	<u>\$ 143,344</u>
Full TEUs	1,888,331 ⁽¹⁾	1,852,212	1,850,296	1,784,387	1,713,809	1,832,559	1,793,749	1,796,849	1,798,960	1,729,383
Maritime revenue per Full TEU	<u>\$ 90.54</u>	<u>\$ 86.09</u>	<u>\$ 81.81</u>	<u>\$ 83.37</u>	<u>\$ 92.59</u>	<u>\$ 83.30</u>	<u>\$ 84.67</u>	<u>\$ 85.14</u>	<u>\$ 84.41</u>	<u>\$ 82.89</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		
2019	979,553	52%	908,778	48%	1,888,331 ⁽²⁾	701,367	2,589,698
2018	929,837	50%	922,375	50%	1,852,212	596,252	2,448,464
2017	898,674	49%	951,622	51%	1,850,296	550,698	2,400,994
2016	884,186	50%	900,201	50%	1,784,387	558,294	2,342,681
2015	827,141	48%	886,668 ⁽¹⁾	52%	1,713,809	590,736	2,304,545
2014	824,310	45%	1,008,249	55%	1,832,559	538,146	2,370,705
2013	794,511	44%	999,238	56%	1,793,749	554,155	2,347,904
2012	802,914	45%	993,935	55%	1,796,849	553,103	2,349,952
2011	811,096	45%	987,864	55%	1,798,960	587,077	2,386,037
2010	754,316	44%	975,067	56%	1,729,383	440,456	2,169,839



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 2019 and Fiscal Year 2010

Fiscal Year 2019

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 2010

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)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016⁽⁷⁾</u>	<u>2015⁽⁷⁾</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 396,997	\$ 381,011	\$ 358,707	\$ 338,037	\$ 336,587	\$ 323,040	\$ 315,518	\$ 306,138	\$ 297,983	\$ 285,225
Operating Expenses	330,953	317,577	295,041	285,234	275,422	263,585	249,857	248,810	246,818	248,709
Less: Depreciation Expense	(114,921)	(112,032)	(106,255)	(104,077)	(101,759)	(99,259)	(98,234)	(98,032)	(98,816)	(98,810)
Less: CFC and Grant Reimbursed Operating Expense ⁽¹⁾	-	-	-	-	-	(736)	(5,197)	(4,217)	(3,724)	(3,968)
Adjusted Operating Expenses	<u>216,032</u>	<u>205,545</u>	<u>188,786</u>	<u>181,157</u>	<u>173,663</u>	<u>163,590</u>	<u>146,426</u>	<u>146,561</u>	<u>144,278</u>	<u>145,931</u>
Adjusted Operating Income	180,965	175,466	169,921	156,880	162,924	159,450	169,092	159,577	153,705	139,294
Gross Interest Earned ⁽²⁾	13,363	5,109	2,713	2,149	1,783	1,373	1,095	1,755	1,865	8,635
Less: Interest Earned on PFC and CFC Funds	(224)	(153)	(82)	(47)	(42)	(54)	(59)	(78)	(68)	(69)
Adjusted Interested Income	<u>13,139</u>	<u>4,956</u>	<u>2,631</u>	<u>2,102</u>	<u>1,741</u>	<u>1,319</u>	<u>1,036</u>	<u>1,677</u>	<u>1,797</u>	<u>8,566</u>
Net Pledged Revenues Available for Debt Service	<u>\$ 194,104</u>	<u>\$ 180,422</u>	<u>\$ 172,552</u>	<u>\$ 158,982</u>	<u>\$ 164,665</u>	<u>\$ 160,769</u>	<u>\$ 170,128</u>	<u>\$ 161,254</u>	<u>\$ 155,502</u>	<u>\$ 147,860</u>
Debt Service										
Senior Bonds ⁽³⁾	\$ 46,133	\$ 45,293	\$ 44,365	\$ 48,193	\$ 50,150	\$ 48,069	\$ 68,263	\$ 69,173	\$ 66,641	\$ 84,218
Senior Bonds, DBW Loan, and Intermediate Bonds	93,188	98,902	99,454	98,880	98,197	98,191	107,268	108,175	105,645	113,303
Debt Service Coverage Ratio										
Senior Lien ⁽⁴⁾	4.21	3.98	3.89	3.30	3.28	3.34	2.49	2.33	2.33	1.76
Intermediate Lien ⁽⁵⁾⁽⁶⁾	2.08	1.82	1.73	1.61	1.68	1.64	1.59	1.50	1.47	1.42

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt Service										
Senior Revenue Bonds ⁽¹⁾										
Aviation	\$ 4,859	\$ 4,785	\$ 4,712	\$ 4,988	\$ 5,718	\$ 6,550	\$ 13,014	\$ 13,206	\$ 12,551	\$ 14,887
Maritime ⁽³⁾	41,272	40,506	39,651	43,203	44,430	41,517	55,242	55,960	54,085	67,682
Commercial Real Estate	2	2	2	2	2	2	7	7	5	1,649
Total Senior Revenue Bonds Debt Service	<u>46,133</u>	<u>45,293</u>	<u>44,365</u>	<u>48,193</u>	<u>50,150</u>	<u>48,069</u>	<u>68,263</u>	<u>69,173</u>	<u>66,641</u>	<u>84,218</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	19,240	21,506	21,520	18,844	12,924	13,304	12,018	12,033	8,867	7,617
Maritime	23,745	27,674	29,183	28,018	32,894	34,568	25,289	25,271	29,128	20,486
Commercial Real Estate	3,613	3,972	3,928	3,367	1,771	1,792	1,241	1,241	552	525
Total Intermediate Revenue Bonds Debt Service	<u>46,598</u>	<u>53,152</u>	<u>54,631</u>	<u>50,229</u>	<u>47,589</u>	<u>49,664</u>	<u>38,548</u>	<u>38,545</u>	<u>38,547</u>	<u>28,628</u>
Commercial Paper										
Aviation	17,926 ⁽⁴⁾	1,601	296	42	23	189	41	40	68	90
Maritime	4,638	3,534	4,317	4,103	3,069	897	115	116	165	218
Commercial Real Estate	-	-	-	-	-	-	-	3	-	-
Total Commercial Paper Debt Service ⁽²⁾	<u>22,564</u>	<u>5,135</u>	<u>4,613</u>	<u>4,145</u>	<u>3,092</u>	<u>1,086</u>	<u>156</u>	<u>159</u>	<u>233</u>	<u>308</u>
Debt Service by Division										
Aviation	42,025	27,892	26,528	23,874	18,665	20,043	25,073	25,279	21,486	22,594
Maritime	69,655	71,714	73,151	75,324	80,393	76,982	80,646	81,347	83,378	88,386
Commercial Real Estate	4,072	4,431	4,387	3,826	2,230	2,251	1,705	1,708	1,014	2,631
Total Debt Service	<u>\$ 115,752</u>	<u>\$ 104,037</u>	<u>\$ 104,066</u>	<u>\$ 103,024</u>	<u>\$ 101,288</u>	<u>\$ 99,276</u>	<u>\$ 107,424</u>	<u>\$ 108,334</u>	<u>\$ 105,878</u>	<u>\$ 113,611</u>
Aviation Debt Service per Enplaned Passenger										
Enplaned passengers (in 000's)	6,807	6,677	6,296	5,812	5,374	4,950	4,973	4,826	4,688	4,778
Aviation Debt Service per Enplaned Passenger (not in 000's)	<u>\$ 6.17</u>	<u>\$ 4.18</u>	<u>\$ 4.21</u>	<u>\$ 4.11</u>	<u>\$ 3.47</u>	<u>\$ 4.05</u>	<u>\$ 5.04</u>	<u>\$ 5.24</u>	<u>\$ 4.58</u>	<u>\$ 4.73</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, an \$20.9 million in 2019, respectively.
(3) Beginning in 2015, Maritime debt service on Senior Revenue Bonds includes the payment of accrued interest on bond defeasance transactions.
(4) In 2019 Aviation commercial paper debt service includes \$15.5 million of payments funded with PFC revenue.

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

<u>Fiscal Year</u>	<u>Senior Bonds</u>	<u>Intermediate Bonds</u>	<u>Department of Boating & Waterways</u>	<u>Commercial Paper</u>	<u>Total</u>
2019	\$ 648,410	\$ 240,871	\$ 3,903	\$ 84,470	\$ 977,654
2018	667,591	282,079	4,173	105,355	1,059,198
2017	689,841	328,508	4,431	97,841	1,120,621
2016	705,315	367,607	4,678	84,586	1,162,186
2015	724,566	400,899	4,914	74,398	1,204,777
2014	745,382	430,345	5,140	77,398	1,258,265
2013	762,025	460,681	5,357	78,398	1,306,461
2012	(1) 803,761	478,977	5,564	87,268	1,375,570
2011	834,230	479,850	5,762	87,268	1,407,110
2010	856,000	494,390	5,952	89,440	1,445,782

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

Year	Population⁽¹⁾	Personal Income (S000s)⁽²⁾	Per Capita Personal Income⁽³⁾	School Enrollment⁽⁴⁾	Unemployment Rate (%)⁽⁵⁾
2019	432,897	N/A	N/A	50,202	N/A
2018	428,827	N/A	N/A	50,231	3.4
2017	430,482	39,452,998	91,459	49,760	4.2
2016	426,850	37,208,259	86,434	49,098	4.9
2015	420,624	35,224,821	82,523	48,077	5.9
2014	415,123	32,064,059	76,230	47,194	7.2
2013	410,511	29,507,737	71,082	46,486	8.9
2012	401,139	28,879,798	70,351	46,472	10.7
2011	395,560	26,274,928	65,501	46,584	12.3
2010	391,475	24,206,079	61,194	46,616	13.3

Source:

(1) California Department of Finance.

(2) US Department of Commerce, Bureau of Economic Analysis. Data are available only for the San Francisco-Oakland-Hayward Metropolitan Statistical Area (MSA) and have been adjusted by the proportion of the population within the City of Oakland. Data are not yet available for 2018 and 2019.

(3) US Department of Commerce, Bureau of Economic Analysis. Data are presented for the San Francisco-Oakland-Hayward Metropolitan Statistical Area. Data are not yet available for 2018 and 2019.

(4) California Department of Education.

(5) California Employment Development Department. Annual data are not yet available for 2019.

Port of Oakland
(A Component Unit of the City of Oakland)
Principal Employers in the City of Oakland - FY 2019 vs FY 2010

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Kaiser Permanente	11,734	1	5.7%	N/A		
Sutter Health	2,634	2	1.3%	N/A		
UCSF Benioff Children's Hospital Oakland	2,400	3	1.2%	N/A		
Pandora Media, Inc.	2,299	4	1.1%	N/A		
United Parcel Services	2,259	5	1.1%	N/A		
Starbucks Coffee Co.	1,564	6	0.8%	N/A		
Southwest Airlines	1,500	7	0.7%	N/A		
Allied Universal	1,344	8	0.7%	N/A		
Safeway	1,000	9	0.5%	N/A		
Golden State Warriors LLC	973	10	0.5%	N/A		
Alameda County	N/A			10,374	1	6.1%
Wells Fargo & Co.	N/A			5,862	2	3.4%
Oakland Unified School District	N/A			5,704	3	3.3%
City of Oakland	N/A			4,478	4	2.6%
Cost Plus, Inc.	N/A			4,125	5	2.4%
Kaiser Foundation Hospitals	N/A			3,105	6	1.8%
Peralta Community College District	N/A			2,759	7	1.6%
Safeway, Inc.	N/A			2,692	8	1.6%
Internal Revenue Service	N/A			2,500	9	1.5%
Albertson's LLC	N/A			2,209	10	1.3%
Total	<u>27,707</u>			<u>43,808</u>		

Source:

San Francisco Business Times. January 2, 2019, "Health care dominates Oakland's ten largest employers," retrieved October 1, 2019, <https://www.bizjournals.com/sanfrancisco/news/2019/01/02/oakland-ten-largest-employers-kaiser-sutter-ucsf.html>, and City of Oakland Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Note: 2019 data excluded governmental employers and combine employment for affiliated entities of Kaiser Permanente. Percent of total employment is based on June 2019 employment of 206,200 as reported by the California Employment Development Department.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Aviation	239	233	236	232	222	236	233	242	228	238
Maritime	17	20	18	20 ⁽¹⁾	68	69	69	63	61	63
Commercial Real Estate	7	8	8	8	8	8	7	7	8	8
Engineering & Environmental	111	106	105	102 ⁽¹⁾	57	54	50	50	48	49
Financial Services & Administration ⁽²⁾	54	56	57	58	56	54	59	53	53	55
Others	39	37	37	39	41	37	38	36	39	35
Total	<u>467</u>	<u>460</u>	<u>461</u>	<u>459</u>	<u>452</u>	<u>458</u>	<u>456</u>	<u>451</u>	<u>437</u>	<u>448</u>

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</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⁾	6,805	6,895	6,898	6,898	6,878	6,621	6,516	6,516	6,950	6,315
Harbor facilities										
Miles of waterfront	19	19	19	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	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)	779	779	779	779	779	779	779	779	779	786
Commercial Real Estate										
Owned acreage	837	837	837	837	837	837	837	865	874	874
Parking stalls ⁽¹⁾	1,333	1,333	1,333	1,429	1,429	1,429	1,429	1,429	1,429	1,429

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.

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