

**Annual Report
For
Fiscal Year Ended June 30, 2022**



Port Commission of the City and County of San Francisco

Issued: March 31, 2023

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I. Introduction

The Port Commission of the City and County of San Francisco (Port) hereby makes this disclosure filing in connection with the Port's Revenue Bonds, Series 2014A, Series 2020A and Series 2020B, identified by the CUSIP numbers shown below. The Port hereby provides its annual disclosure report for the fiscal year ("FY") ended June 30, 2022 prepared in accordance with the Continuing Disclosure Certificates dated May 29, 2014 and February 27, 2020.

II. Port Revenue Bonds

The Port Commission has outstanding the following reportable obligations (collectively, the "Bonds").

<i>Continuing Disclosure Certificate</i>	<i>Issue Name</i>	<i>Original Par Amount</i>	<i>Outstanding Par Amount</i>
May 29, 2014	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A (AMT Tax-Exempt)	\$19,880,000	\$18,850,000
February 27, 2020	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)	\$10,885,000	\$10,010,000
February 27, 2020	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020B (Taxable)	\$12,895,000	\$10,500,000

Series 2014A Bonds (AMT Tax-Exempt)

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>CUSIP No.</i>
3/1/2024	1,055,000	797679 BE6
3/1/2026	1,160,000	797679 BF3
3/1/2028	1,280,000	797679 AZ0
3/1/2030	1,415,000	797679 BA4
3/1/2035	4,115,000	797679 BB2
3/1/2044	<u>9,825,000</u>	797679 BC0
	\$18,850,000	

Series 2020A Bonds (Non-AMT Tax-Exempt)

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>CUSIP No.</i>
3/1/2032	\$915,000	797679 BP1
3/1/2033	\$960,000	797679 BQ9
3/1/2034	\$1,010,000	797679 BR7
3/1/2035	\$1,060,000	797679 BS5
3/1/2036	\$1,115,000	797679 BT3
3/1/2037	\$1,165,000	797679 BU0
3/1/2038	\$1,215,000	797679 BV8
3/1/2039	\$1,260,000	797679 BW6
3/1/2040	<u>\$1,310,000</u>	797679 BX4
	\$10,010,000	

Series 2020B Bonds (Taxable)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP No.</u>
3/1/2023	\$1,230,000	797679 CA3
3/1/2024	\$1,245,000	797679 CB1
3/1/2025	\$1,275,000	797679 CC9
3/1/2026	\$1,295,000	797679 CD7
3/1/2027	\$1,320,000	797679 CE5
3/1/2028	\$1,345,000	797679 CF2
3/1/2029	\$1,380,000	797679 CG0
3/1/2030	<u>\$1,410,000</u>	797679 CH8
	\$10,500,000	

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III. Other Non-Reportable Obligations

<u>Issue Name</u>	<u>Original Par Amount</u>	<u>Balance at End of Reporting Period</u>	<u>Final Maturity</u>
Certificates of Participation*	\$37,700,000	\$26,175,000	2043
California Division of Boating & Waterways Loan	\$3,500,000	\$1,195,363	2028

* A Certificates of Participation (“COPs”) financing was completed on October 31, 2013 by the City and County of San Francisco (“City”) on behalf of the Port. Under terms of a Memorandum of Understanding with the City, the Port has agreed during the term of the COPs to budget sufficient funding to service the obligation.

IV. Port of San Francisco, Debt Service Coverage

PORT OF SAN FRANCISCO
Historic Debt Service Coverage
For Fiscal Years Ended June 30, 2022 (Amounts in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues ¹					
Maritime	\$23,349	\$23,186	\$21,547	\$15,147	\$20,867
Real Estate & Asset Management	79,668	92,217	74,151	68,944	87,265
Interest Income ²	3,107	4,153	3,958	2,299	2,779
Other Revenue	<u>6,752</u>	<u>5,807</u>	<u>7,908</u>	<u>4,672</u>	<u>7,772</u>
Total Revenues	\$112,876	\$125,363	\$107,564	\$91,060	\$118,684
Operating Expenses ¹					
Operations & Maintenance ³	<u>\$84,992</u>	<u>86,598</u>	<u>93,032</u>	<u>100,287</u>	<u>69,704</u>
Total Operating Expenses	\$84,992	\$86,598	\$93,032	\$100,287	\$69,704
Net Revenues	\$27,884	\$38,924	\$14,532	(\$9,227)	\$48,980
Debt Service on Bonds ⁴	\$4,174	\$4,177	\$4,173	\$3,275	\$3,274
Net Revenue Coverage on Bonds ⁴ (times)	6.68	9.23	3.48	-	14.96
Debt Service on Subordinate Obligations ⁵	\$2,966	\$2,965	\$2,962	\$2,967	\$2,963
Net Revenue Coverage on Bonds and Subordinate Obligations ⁵ (times)	3.91	5.45	2.04	-	7.85

¹ Revenues and expenses were determined in accordance with the Master Bond Indenture dated February 1, 2010. For all years, the amounts were derived from financial reports which have been audited and adjusted for the elements discussed in footnotes 2 and 3. Amounts exclude operations of the Port's South Beach Harbor, which was acquired on April 30, 2019, and designated by the Port Commission as a Port special facility.

² Represents interest income earned on funds on deposit with the City Treasurer plus late charges from tenants.

³ Operations & Maintenance Expenses excludes non-cash expenses and credits associated with OPEB and pension obligations pursuant to the Bond Indenture. Also excludes non-cash charges and credits against operating expenses resulting from changes in estimated future costs for environmental remediation of the Pier 70 area. A summary breakdown of these adjustments is provided in the table titled "Historical Operations & Maintenance Expenses."

⁴ Represents debt service and Net Revenue coverage on the Port revenue bonds. Net revenue coverage for fiscal year 2017 has been revised from previously published amounts, due to the exclusion from operating expenses of non-cash charges associated with changes in estimated future cost of environmental remediation of the Pier 70 area. Due to the COVID-19 pandemic, revenues in FY2021 were severely constrained such that net revenue was negative (see section XIII. Other Matters - COVID-19 Impacts).

⁵ Includes the following subordinated obligations: (i) a loan from the California Department of Boating and Waterways for Hyde Street Harbor, and (ii) a Certificates of Participation obligation issued by the City on behalf of the Port. The Indenture does not require the Port to maintain any level of Net Revenue coverage on Subordinated Bonds or other subordinate obligations. Subordinated net revenue coverage for fiscal year 2017 has been revised from previously published amounts due to the effect of the changes in environmental remediation cost estimates for the Pier 70 area.

Source: Port of San Francisco

V. Major Port Operating Revenues

PORT OF SAN FRANCISCO**Major Port Operating Revenues¹
Fiscal Year ending June 30, 2022**

	Annualized Revenue ²		Square Footage ³	
	Amount	Percent	Amount	Percent
Real Estate:				
Industrial ⁴	\$ 27,289,526	26%	5,602,516	30%
Development	\$ 22,769,765	22%	4,539,024	24%
Restaurant & Retail	\$ 9,182,895	9%	415,409	2%
Parking ⁵	\$ 15,778,444	15%	1,462,812	8%
<u>Office</u>	<u>\$ 8,940,751</u>	<u>9%</u>	<u>285,893</u>	<u>2%</u>
Subtotal Real Estate	\$ 83,961,381	81%	12,305,653	66%
Maritime⁶				
Cargo	\$ 7,704,355	7%	4,668,813	25%
Commercial Fishing	\$ 2,795,623	3%	221,825	1%
Harbor Services	\$ 2,564,664	2%	367,296	2%
Passenger Cruise	\$ 3,651,661	4%	354,360	2%
<u>Various Maritime</u>	<u>\$ 3,210,146</u>	<u>3%</u>	<u>853,332</u>	<u>5%</u>
Subtotal Maritime	\$ 19,926,448	19%	6,465,626	34%
Total	\$ 103,887,830	100%	18,771,279	100%

¹ Table includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Not included are revenues from miscellaneous sources, development cost recoveries, or adjustments such as tenant improvement credits.

² Based on projected lease rents as of the July 2022 Beginning of Month Rent Roll and Fiscal Year 2022 percentage rents in excess of base rent amounts.

³ Excludes portion of area in water; in addition, parking stalls and agreements that are in non-bill status are not included in the square footage totals.

⁴ Includes lease revenues and square footage from the Port's ferry excursion operators; these participation rent-based leases are managed by Real Estate, and the corresponding revenues are reported as Real Estate-related on the Port's financial statements.

⁵ Excludes revenues from MTA parking meters and citations; however, includes revenues from parking stall agreements which are not included on the rent roll.

⁶ Includes traditional user fees within the maritime industry, such as wharfage, dockage and demurrage; excludes revenues generated from ferry excursion operators along with the associated areas leased as discussed in footnote 4 above.

Source: Port of San Francisco

VI. Port of San Francisco Top Ten Tenants and Customers

PORT OF SAN FRANCISCO
Top Ten Port Tenants and Customers by Revenue ¹
Fiscal Year ending June 30, 2022 (Revenue in Thousands)

Customer/Tenant Name	Revenue ²	Percent of Top 10 Revenue	Primary Use	Expiration ³
1 Recology San Francisco	\$5,243	14.93%	Industrial	7/31/2023
2 SP Plus-Hyde Parking Joint Venture	\$5,010	14.26%	Parking	5/31/2022
3 Seawall Lot 337 Associates, LLC	\$3,891	11.08%	Mixed Use	8/14/2049
4 Historic Pier 70, LLC	\$3,615	10.29%	Office/Retail Master Lease	7/28/2081
5 SFCC Public Utilities Commission	\$3,475	9.89%	Storage/Electricity Usage	12/31/2086
6 China Basin Ballpark Company LLC	\$3,277	9.33%	Recreation/Parking	8/14/2028
7 Pier 39 Limited Partnership	\$2,943	8.38%	Retail Master Lease	12/31/2042
8 JPPF Waterfront Plaza, L.P.	\$2,924	8.33%	Mixed Use	6/27/2040
9 AMB Pier One, LLC	\$2,416	6.88%	Office	8/1/2049
10 Hudson One Ferry Operating L.P.	\$2,327	6.63%	Mixed Use	4/9/2067
	\$35,121	100.00%		

¹ Table includes revenues categorized as both Real Estate and Maritime.

² Revenue is based on projected lease rents as of the July 2022 Beginning of Month Rent Roll and Fiscal Year 2022 percentage rents in excess of base rent amounts. Table includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Not included are revenues from miscellaneous sources, development cost recoveries, or adjustments such as tenant improvement credits.

³ When a tenant has multiple agreements, the latest expiration date is reported.

Source: Port of San Francisco

VII. Port of San Francisco Real Estate Leases, Remaining Lease Terms

PORT OF SAN FRANCISCO				
Real Estate Leases				
	<u>Number of Leases</u> ¹		<u>Annualized Revenue</u> ²	
Month-to-Month ³	235	55%	\$ 24,533,947	29%
Remaining Term ⁴ :				
Less than One Year	40	9%	\$ 3,752,534	4%
One to Five Years	78	18%	\$ 14,848,855	18%
Five to Ten Years	11	3%	\$ 6,887,880	8%
Ten to Twenty Years	29	7%	\$ 12,397,165	15%
Twenty to Thirty Years	15	4%	\$ 13,876,244	17%
Over Thirty Years	16	4%	\$ 7,664,757	9%
Total	424	100%	\$ 83,961,381	100%
<p>¹ Table includes Real Estate Leases only. Individual parking stall agreements are not included. In addition, agreements that are in non-bill status are not included in the count.</p> <p>² Revenue is based on projected lease rents as of the July 2022 Beginning of Month Rent Roll and Fiscal Year 2022 percentage rents in excess of base rent amounts. Table includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Not included are revenues from miscellaneous sources, development cost recoveries, or adjustments such as tenant improvement credits. Total revenues from parking stall agreements are included as a lump sum under category "Month-to-Month".</p> <p>³ Includes expired agreements that are on holdover.</p> <p>⁴ As of July 1, 2022</p>				
<i>Source: Port of San Francisco</i>				

VIII. Port of San Francisco Top Ten Real Estate Tenants and Customers

PORT OF SAN FRANCISCO
Top Ten Port Real Estate Tenants and Customers by Revenue¹
Fiscal Year ending June 30, 2022 (Revenue in Thousands)

Customer/Tenant Name	Revenue²	Percent of Top 10 Revenue	Primary Use	Expiration³
1 SP Plus-Hyde Parking Joint Venture	\$5,010	14.89%	Parking	5/31/2022
2 Recology San Francisco	\$4,930	14.65%	Industrial	7/31/2023
3 Seawall Lot 337 Associates, LLC	\$3,891	11.56%	Mixed Use	8/14/2049
4 Historic Pier 70, LLC	\$3,615	10.74%	Office/Retail Master Lease	7/28/2081
5 China Basin Ballpark Company LLC	\$3,277	9.74%	Recreation/Parking	8/14/2028
6 Pier 39 Limited Partnership	\$2,943	8.75%	Retail Master Lease	12/31/2042
7 JPPF Waterfront Plaza, L.P.	\$2,924	8.69%	Mixed Use	6/27/2040
8 AMB Pier One, LLC	\$2,416	7.18%	Office	8/1/2049
9 Hudson One Ferry Operating L.P.	\$2,327	6.91%	Mixed Use	4/9/2067
10 SFCC Public Utilities Commission	\$2,320	6.89%	Storage	12/31/2086
	\$33,653	100.00%		

¹ Table only includes revenues categorized as Real Estate.

² Revenue is based on projected lease rents as of the July 2022 Beginning of Month Rent Roll and Fiscal Year 2022 percentage rents in excess of base rent amounts. Table includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Not included are revenues from miscellaneous sources, development cost recoveries, or adjustments such as tenant improvement credits.

³ When a tenant has multiple agreements, the latest expiration date is reported.

Source: Port of San Francisco

IX. Port of San Francisco Historical Results of Operations

PORT OF SAN FRANCISCO					
Historical Results of Operations					
For Fiscal Year Ended June 30, 2022 (Amounts in Thousands)					
	Audited 2018	Unaudited¹ 2019	Audited 2020	Audited³ 2021	Audited 2022
Operating Revenues:					
Maritime					
Cargo	\$8,685	\$7,844	\$8,861	\$8,186	\$6,875
Ship Repair	0	0	0	0	0
Harbor Services	1,847	1,894	2,041	2,123	1,880
Cruise	7,901	7,947	5,227	292	5,248
Fishing	2,184	2,273	2,218	1,383	2,407
Other Marine	2,652	2,521	2,845	3,084	3,183
Miscellaneous ²	<u>80</u>	<u>707</u>	<u>355</u>	<u>79</u>	<u>1,275</u>
Total Maritime	\$23,349	\$23,186	\$21,547	\$15,147	\$20,867
Real Estate & Asset Management					
Commercial/Industrial	\$57,336	\$60,015	\$55,617	\$59,039	\$66,649
Parking	22,281	21,770	18,418	9,898	20,516
Filming & Special Event Revenue	49	103	114	7	100
Miscellaneous	<u>2</u>	<u>10,328</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total Real Estate & Asset Management	\$79,668	\$92,216	\$74,151	\$68,944	\$87,265
Other Operating Revenues	\$6,752	\$5,760	\$7,450	\$5,047	\$7,747
Total Operating Revenues	\$109,769	\$121,162	\$103,148	\$89,137	\$115,880
Operating Expenses					
Operations & Maintenance ²	\$79,026	\$86,890	\$89,544	\$112,285	\$56,513
Depreciation & Amortization	<u>17,778</u>	<u>24,466</u>	<u>25,528</u>	<u>22,628</u>	<u>22,431</u>
Total Operating Expenses	\$96,804	\$111,356	\$115,072	\$134,913	\$78,944
Operating Income/(Loss)	\$12,965	\$9,806	(\$11,924)	(\$45,776)	\$36,936
Other Income & (Expenses)					
Interest & Investment Income	\$2,231	\$6,189	\$5,306	\$598	\$6,900
Interest Expense	(4,461)	(4,288)	(3,797)	(2,800)	(4,466)
Gain/(Loss) on Disposal of Assets	(1,383)	(174)	15	5	4
Other	<u>4,232</u>	<u>(3,169)</u>	<u>4,916</u>	<u>16,771</u>	<u>14,098</u>
Total Other Income/(Expense) Net	\$619	(\$1,442)	\$6,440	\$14,573	\$16,536
Net Income/(Loss) Before Capital Contribution	\$13,584	\$8,364	(\$5,484)	(\$31,202)	\$53,471
Capital Grants and Other Contributions	<u>\$2,626</u>	<u>\$1,909</u>	<u>\$43,895</u>	<u>\$2,259</u>	<u>\$4,252</u>
Change in Net Position	<u>\$16,210</u>	<u>\$10,273</u>	<u>\$38,411</u>	<u>(\$28,943)</u>	<u>\$57,723</u>
<p>¹ Total Port operations in 2019, including the Port's South Beach Harbor special facility, were audited as a whole. SBH revenues are not included as security on the subject revenue bonds, and were therefore removed by Port staff to provide the unaudited results above.</p> <p>² In 2018 the Port implemented GASB Statement No. 75, a new standard that is intended to improve the accounting and financial reporting of OPEB obligations. GASB 75 supersedes GASB 45, an earlier accounting standard regarding the accounting of OPEB obligations. A summary breakdown of the non-cash adjustments associated with the accounting of pension obligations and OPEB for all years is shown in table titled "Historical Operations & Maintenance Expenses".</p> <p>³ FY 2021 Expenses were corrected to align calculation methodology to prior years and Table IV.</p>					
<i>Source: Port of San Francisco</i>					

X. Port of San Francisco Historical Operations and Maintenance Expenses

PORT OF SAN FRANCISCO
Historical Operations & Maintenance Expenses
For Fiscal Year Ended June 30, 2022
(Amounts in Thousands)

	Audited 2018	Unaudited ¹ 2019	Audited 2020	Audited ⁵ 2021	Audited 2022
Operations & Maintenance					
Personnel Expense ²	\$38,686	\$38,179	\$43,471	\$45,028	\$41,567
City-Wide Overhead	228	379	849	2,740	1,625
Other Current Expenses	5,491	4,726	6,135	1,197	1,283
Professional & Specialized Services ³	14,946	16,950	15,463	22,578	17,534
Utility Expenses	2,859	2,908	2,591	2,107	3,554
Materials & Supplies	1,001	1,331	1,589	963	1,104
Judgments, Claims & Litigation	(663)	30	1	332	(270)
Office Rent	2,614	2,736	2,748	2,951	976
Charges for Use of City Services	19,310	18,666	19,803	22,125	25,321
Other Operating & Maint. Exp. (net)	520	544	381	266	69
Less Non-Revenue Funded O&M ⁶					(23,057)
Operations & Maint. Exp. - Subtotal	\$84,992	\$86,449	\$93,031	\$100,286	\$69,706
Non-cash adjustments for:					
(i) pensions pursuant to GASB 68	993	(667)	(2,392)	3,730	(16,423)
(ii) estimated cost for pollution remediation for the Pier 70 area.	(8,211)	1,105	(1,207)	7,388	(648)
(iii) Other Post Employment Benefits (OPEB) ⁴	1,252	3	112	881	3,877
Total Operations & Maintenance Exp.	\$79,026	\$86,890	\$89,544	\$112,285	\$56,513

¹ Total Port operations in 2019, including the Port's South Beach Harbor special facility, were audited as a whole. SBH revenues are not included as security on the subject revenue bonds, and were therefore removed by Port staff to provide the unaudited results above.

² The reported expenses excludes charges and credits associated with non-cash adjustments related to accounting and reporting of OPEB and pension obligations.

³ The credits for "judgements, claims and litigation" reported for fiscal years ended June 30, 2015, 2016 and 2018 reflect large reductions in the reserve of claims and litigation taken for those years, based on estimates of then current and potential future claims.

⁴ In 2018 the Port implemented GASB Statement No. 75, a new standard that is intended to improve the accounting and financial reporting of post-employment benefits other than pensions (OPEB) obligations by, among other things, requiring a fuller and more timely recognition of such obligations. GASB 75 supersedes GASB 45, an earlier accounting standard regarding the accounting of OPEB obligations.

⁵ FY 2021 Expenses were corrected to align calculation methodology to prior years and Table IV.

⁶ Per indenture definition of Expenses, operating costs funded by external sources such grants are excluded from the expenses. In FY2022, City and County of San Francisco General Obligation Bond proceeds funded approximately \$9.0m in non-capitalizable conceptual design work related to the Waterfront Resilience Project. In FY2022, the Port spent approximately \$14.0m of stimulus from the State of California on operating expenses.

Source: Port of San Francisco

XI. Audited Financial Statements of the Port Enterprise, City and County of San Francisco for the Fiscal Year Ended June 30, 2022.

For the Port's Audited Financial Statements for fiscal year ended June 30, 2022, please go to the link titled "2022 Audited Financial Statements" located in the "About", and then "Financial Plans & Reports" sections of the Port's website at www.sfport.com.

XII. Significant Events-

From March 31, 2022 (the date of issuance of the June 30, 2021 Annual Report) through the issuance date of this Annual Report, no "Significant Event" or "Listed Event" has occurred as enumerated in Section 5 of the Continuing Disclosure Certificates dated May 29, 2014 or February 27, 2020, respectively.

XIII. Other Matters

COVID-19 Impacts on Coverage

Please see the Port's Voluntary Statement Regarding Impacts of COVID-19, filed August 6, 2020. That filing included forward looking statements regarding the debt service coverage obligations of the indenture, which require the Port to maintain debt service coverage ratios of (a) at least 1.3 including contributions from a revenue stabilization fund, and (b) 1.0 when excluding such contributions.

As anticipated in the filing, in the fiscal year ending June 30, 2021 the Port met all debt service obligations, satisfied the coverage ratio requirement of 1.3 including contributions from the Port's revenue stabilization fund, but did not achieve the coverage ratio requirement 1.0 when excluding such contributions. As required by Section 6.02 of the Indenture, the Port engaged a Port Consultant to review business operations and the schedule of rates and charges in the context of the forecasted post-pandemic recovery to recommend any changes the Port should make to improve the coverage ratio. Those recommendations covered three broad areas including (1) adjusting leasing practices as the market recovered, (2) pursuing inter-agency expense savings, and (3) revising financial policies in light of lessons learned during COVID-19. The Port has pursued these recommendations by (1) continually adjusting to the leasing market including phasing out the rent forgiveness program, (2) negotiating interagency savings, and (3) revising its reserve policy to increase its operating reserve from 15% to 50% of annual operating expense. Notably, the implementation of these recommendations occurred in the fall of 2022, after the coverage results presented in this report were achieved.

American Rescue Plan Act

President Biden signed the American Rescue Plan Act ("ARPA") into law in March of 2021, providing billions in federal stimulus to state and local governments, including \$27 billion for California and \$454 million for the City and County of San Francisco. In three separate actions by the State Lands Commission, the Port has been awarded \$117 million in stimulus funding to offset revenue losses sustained in calendar years 2020 and 2021. The Port is using these stimulus dollars to fund both operating and capital investments to avoid layoffs, generate economic growth, restore efforts and resources that were cut or delayed due to COVID-19, and assist communities disproportionately impacted by COVID-19, including \$14.0 million in FY2022.

Implementation of GASB 87

In 2022, the City and the Port adopted GASB Statement No. 87, Leases (GASB 87). GASB 87 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 GASB 98, a lessor (like the Port) establishes requirements to recognize, for each lease, a lease receivable and a deferred inflow of resources. Please see Note 2 of the Port's Financial Statement for a discussion of the impact of GASB 87 implementation. The figures presented in this report reflect that implementation in FY 2022 only.

Transfer of South Beach Harbor

On May 1, 2019, the Port received the South Beach Harbor (SBH) operations from the Office of Community Investment and Infrastructure (OCII), successor agency to the Redevelopment Agency, along with the related assets and liabilities. The receipt of SBH resulted in a Special Item increasing the Port's change in net position in FY 2019 by \$18,340,000. The transfer of South Beach Harbor included three loans funded by the California Division of Boating and Waterways (Cal Boating), which totaled \$6,144,000 and accrue interest at a rate of 4.5% per annum. Under the terms of the Port's loan contract, Cal Boating may take possession of SBH if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor Loans and Operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full. For more information, see Note 8 of the Port's audited financial statements for fiscal year ending June 30, 2022.

Special Facilities

In conjunction with the receipt of SBH, the Port designated SBH as a Special Facility and its Cal Boating loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture ("Master Indenture"). Pursuant to Section 2.14 of the Master Indenture, the Port Commission is authorized to designate an existing or planned facility, structure, equipment or other property, real or personal property that is located within the Port Area as a Special Facility. The Port Commission may designate revenue earned by the Port from or with respect to a Special Facility as "Special Facility Revenue." Special Facility Revenue is not included in revenue as defined in the Revenue Bond Master Trust Indenture, and, consequently, is not included in the Net Revenues pledged as security for the Revenue Bonds under the Master Indenture.

In September 2019, the Port executed documents, pursuant to Section 2.14 of the Port's Master Indenture, which made effective the Port Commission's earlier designation of the Pier 70 Special Use District ("SUD") and Mission Rock Project Site as Special Facilities under Section 2.14 of the Master Indenture. The revenues from the Pier 70 SUD and Mission Rock Project Site constitute Special Facility Revenues and are not included in the Net Revenues pledged to the Revenue Bonds.

Community Facilities Districts and Infrastructure Financing Districts

Since 2005 the Port has pursued state and local legislative changes to increase the options available to fund the Port's deferred maintenance and other capital requirements, and to expand the range and profitability of uses on Port property. Through this effort, the Port has acquired the authority to use infrastructure financing districts to capture property tax growth to fund public improvements along the San Francisco waterfront. In 2005 the state approved Senate Bill No. 1085 which authorized the Board of Supervisors ("Board") to form an infrastructure financing district ("IFD") covering Port property.

In 2012 the Board authorized the formation of Infrastructure Finance District No. 2 consisting of the entire waterfront area under Port jurisdiction and designated eight initial proposed project areas within this IFD.

The first of these project areas was established by the Board in 2016 for the rehabilitation of several historic properties located along 20th Street in the Pier 70 area known as the Historic Core or the "Orton" site. The project, which is being developed by an affiliate of Orton Development, is fully leased.

The Board has also established project areas for the property located within the Pier 70 area known as the "Waterfront" site, and for the Seawall Lot 337 and Pier 48 properties known as the "Mission Rock" site.

Brookfield Properties (formerly Forest City), developer of the Waterfront site, commenced site preparation and demolition in August 2018 and construction of horizontal improvements in March 2019 for the first of three phases. Public Works issued a Notice of Completion (NOC) for Phase 1 infrastructure, aside from parks, in November 2022. Brookfield will time construction of parks to coincide with the delivery of adjacent vertical development. Current vertical development on the site includes rehabilitation of historic Building 12, which has a final certificate of occupancy and has begun leasing space within the building. The Port and Brookfield are working to lease or sell the five remaining Phase 1 development sites.

Seawall Lot 337 Associates (an affiliate of the San Francisco Giants and Tishman Speyer), the developer of the Mission Rock site, broke ground on Phase 1 of the project in 2020, including work on horizontal infrastructure and two of the four parcels in Phase 1. Construction of the third building commenced in the fall of 2021, the fourth in spring of 2022. Parcel G received a Temporary Certificate of Occupancy (TOC) in January 2023, and Parcels A and B are expected to receive TOCs in Spring 2023. Phase 1 will deliver all four buildings and the associated five-acre park by 2024. The developer submitted the Phase 2 project application to the Port in December 2022, and the Port and developer are working in conjunction to review all aspects of the submittal.

In late 2019 and early 2020, the Board established Mello-Roos Community Facilities Districts (“CFDs”) at both the, Mission Rock and Pier 70 Waterfront sites. The Mission Rock CFD, in conjunction with the IFD discussed above, provides the security for the Mission Rock CFD bonds issued in 2021. The Mission Rock project issued \$99.03 million in CFD bonds in calendar year 2021, including \$52.98 million for tax-exempt purposes and \$46.05 million for taxable purposes. The debt is an obligation of the relevant CFD, secured by the special tax revenues generated within the district. This debt is not secured by, or repayable from, Port harbor fund revenues.

Waterfront Resilience

The San Francisco Bay Area is seismically active and faces risk of a significant earthquake within the next 30 years. Such an event would have a major impact on the Port’s facilities and infrastructure, including its Embarcadero Seawall, a three-mile retaining wall that runs from Fisherman’s Wharf in the north to Mission Creek in the south. The Embarcadero Seawall (“Seawall”) was constructed in sections over a period of 40 years beginning in 1878. No section of the Seawall, or the filled land behind the Seawall, was designed to withstand soil liquefaction. In a major seismic event, if liquefaction occurs, specific Seawall sections could move vertically downward and/or laterally outward, causing major damage to the Embarcadero Roadway and Promenade and utilities and regional infrastructure, and cause localized failures of wharves and the bulkhead buildings at the heads of piers.

In 2014 the Port initiated an earthquake vulnerability study to better understand how the Seawall would perform in an earthquake, predict damage, and develop a plan to improve its performance. The study, which was published in July 2016, determined that the Seawall requires significant improvements to withstand a major earthquake and to mitigate flood risk from sea level rise. In recognition of the need to address both seismic and flood risk, the Port of San Francisco has created the Waterfront Resilience Program and is advancing assessments, policies, plans and projects to reduce these risks as efficiently and effectively as possible. As of 2018, the rough estimated cost to reduce these risks for the 3 miles of the Embarcadero Seawall is over \$5 billion, with less than \$1 billion in funding sources identified. The Port is now working with the U.S. Army Corps of Engineers (USACE) on a more detailed study of coastal flood risks and the strategies to address them across the full 7.5 miles of Port waterfront (as compared to the three miles of Embarcadero Seawall). The Port expects to report the projected timeline and cost of such measures during the first half of 2024. Initial funding sources include the U.S. Army Corps of Engineers (USACE), General Obligation bonds, and Port contributions, as described below.

In September 2018, the Port signed an agreement with the USACE to advance a resilience study in the area of from Aquatic Park to Heron’s Head Park. That agreement was extended by the U.S. Assistant Secretary of the Army-Civil Works in November 2021, to increase both the duration and budget for the study.

In November 2018, San Francisco voters approved Proposition A, authorizing the City to issue up to \$425 million in General Obligation Bonds to fund repairs and improvements to the Embarcadero Seawall. In May of 2020, the City issued \$49.7 million in such bonds, and anticipates a second issuance of \$39.1 million in April 2023.

Costs ineligible for USACE or bond funding are supported by the Port of San Francisco.

As of the writing of this report, the Port has identified 23 potential Embarcadero early projects based on its extensive risk assessment work, including the Embarcadero Seawall Multi-Hazard Risk Assessment and the joint Disaster

Response Exercise conducted with the Department of Emergency Management. The Port is considering 16 Embarcadero early projects to advance through Proposition A General Obligation Bond funding, with plans to advance the remaining projects by pursuing additional funding sources and partnerships.

Ten-Year Capital Plan and Five-Year Capital Improvement Plan

Every two years the Port prepares a comprehensive ten-year capital plan to identify the major maintenance and capital improvement needs of the Port’s facilities, prioritize capital projects, and identify potential funding sources. Capital improvements are classified in the plan as either: (i) needed to maintain the Port’s facilities in a state of good repair; or (ii) a planned enhancement to Port facilities. Enhancements include potential seismic improvements which are required where a change in use or a major rehabilitation is taking place, consistent with City building code requirements. This plan does not include the Waterfront Resilience Project needs discussed above.

The most recent update to the plan, adopted by the Port Commission on February 23, 2021, identifies \$1.99 billion in total capital need and \$1.93 billion in planned capital enhancements for a total of \$3.925 billion. Shown below, for comparison purposes, are capital improvement totals from the 2019 update:

<u>Type of Improvement</u>	(\$millions)	
	<u>2019 Update</u>	<u>2021 Update</u>
Needed to maintain a state of good repair	\$1,677.5	\$1,994.0
Planned enhancements		
Seawall Program	\$484.1	\$592.9
Conditional seismic work	584.2	605.0
<u>Other enhancements</u>	<u>786.4</u>	<u>733.1</u>
Enhancements - Subtotal	\$1,854.7	\$1,931.0
Total	\$3,532.2	\$3,925.0

The Port’s \$1.99 billion state of good repair need consists of deferred maintenance and subsystem renewal projects required to ensure Port facilities are able to remain in continuous operation with standard, reasonable maintenance costs.

The 2021 capital plan update reflects a \$393 million increase in the funding needed to maintain the Port’s facilities in a state of good repair. This increase is primarily due to improved estimates of repairs to selected facilities, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the ten-year window.

Planned enhancements totaling \$1.93 billion include seismic upgrades, new parks along the waterfront, new infrastructure, new developments in the Northeast, Central and Southern Waterfronts, and improvements to the Embarcadero Seawall and maritime facilities.

The latest update projects that \$1.74 billion in funding will be available over the next ten years to address the Port’s capital needs, including enhancements and seismic work. Of this amount, \$340.0 million is expected to be derived from internally generated funds consisting of Port capital and Port tenant obligations. The remaining \$1.4 billion represents externally generated funding consisting of: (i) development project funding; (ii) City and County of San Francisco general obligation bonds; and (iii) local, state and federal grants. No funding has been identified for the remaining \$2.185 billion in state of good repair and enhancement projects at this time. The Port continues to work to identify additional sources of funds for the unfunded portion of its ten-year capital plan.

In order to assist Port management with project prioritization, and determining future capital funding needs, the Port develops a five-year Capital Improvement Plan (“CIP”). The CIP serves as a bridge between the Port’s ten-year Capital

Plan and its two-year Capital Budget, which appropriates funding for specific capital projects. The CIP programs specific projects according to the amount of capital funding that Port staff estimates will be available over the next five years. The CIP allows staff to consider the time frame necessary to conceive, design and deliver capital projects. The CIP also allows staff more time to identify and secure grant and other third-party funding for those projects that may be eligible for such funding. Port staff will next update the CIP the summer of 2023.

In February of 2022, the Port Commission approved a two-year capital budget for Fiscal Years 2022-23 and 2023-24 which included over \$90 million in capital investments. This historic level of investment is only possible due to the availability of stimulus from the State of California, which provides \$62 million of that capital investment; and the Port does not expect to maintain that level of funding beyond Fiscal Year 2023-24.

More details can be found in the complete 2021 update to the Port’s ten-year capital plan and the five-year capital improvement plan, both of which are located in the “About”, and then “Financial Plans & Reports” sections of the Port’s website at www.sfport.com. Finance & Administration page of the Port’s website at www.sfport.com.

Miscellaneous

This annual report is provided solely for purposes of conformance with the Continuing Disclosure Agreement and the information contained herein speaks only as of the dates referenced. The filing of this Annual Report does not constitute or imply any representation: (i) that the information provided is material to investors, (ii) regarding any other financial or operating information about the Port or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relates (other than that contained in this Annual Report), or that no other information exists which may have a bearing on the Port’s financial condition, the security of the bonds, or an investor’s decision to buy, sell, or hold any of the Bonds. An explanation of the significance of the credit ratings assigned to the subject bonds may be obtained from the ratings agencies at the following addresses:

In the Case of Moody’s
Moody’s Investor Services
7 World Trade Center
250 Greenwich Street
New York, NY 10007

In the Case of Fitch
Fitch Ratings
One State Street Plaza
New York, NY 10004

In the case of Standard & Poor’s
Standard & Poor’s Ratings Services
55 Water Street
New York, NY 10041

The ratings reflect only the views of the relevant credit rating agency. Generally, the agencies base their ratings on such information and materials, investigations, studies, and assumptions made by the agencies themselves. Any downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the subject bonds.

The information contained in this Annual Report has been obtained from sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about the future financial performance of the Port. The Port has no obligation to update the information provided herein except as provided in the Continuing Disclosure Agreement.

For questions or clarifications with respect to this Annual Report, please contact Nate Cruz at (415) 274-0446.

Port Commission of the
City and County of San Francisco

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Nate Cruz
Acting Deputy Director, Finance and Administration