



MEMORANDUM

February 2, 2024

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation on the Fiscal Year 2024-25 and 2025-26
Biennial Operating and Capital Budget.

EXECUTIVE SUMMARY

The aftermath of the COVID-19 pandemic continues to create unprecedented economic pressures on the Port. At the onset of the pandemic, Port revenues plummeted nearly 40% as tourists and commuters sheltered in place. Under the leadership of the Port Commission, the Port met this financial challenge by reducing \$60 million in expenses through a combination of expenditure reductions, operating efficiencies, hiring delays, decreases to capital investments, defunding prior capital projects, use of fund balance, and the successful pursuit of \$117 million in stimulus funding.

Four years later, led by the return of leisure tourism, revenues have returned to pre-pandemic levels three years ahead of the prior budget forecast. This is an important economic milestone for the Port, and one worth celebrating.

However, two significant challenges from COVID-19 remain. First, high inflation has driven up the price of labor and goods such that the cost of providing pre-pandemic service levels well exceeds pre-pandemic costs, leaving less net operating income available to support capital investment. Second, the citywide office vacancy rate remains alarmingly high at 32.5% while the market adjusts to new and long-term telecommuting patterns. This not only creates revenue uncertainty for the Port's office space portfolio but also creates challenges for Port tenants that rely on office workers as

customers as well as the economics of our development projects.

Given this difficult economic situation, the proposed budget keeps costs as low as possible, while still including investments in the Port's strategic objectives. The most significant new investments include:

- **New Parking Lot Operations:** The budget assumes a new parking lot operations model under an MOU with the Municipal Transportation Agency (MTA) subject to separate future Port Commission approval. While the terms of that MOU are still under discussion, preliminary estimates forecast this new model will increase net parking income to the Port by approximately \$9.8 million or 50% at full implementation. This model follows the MTA's approach to lot operations, which relies on pay stations and fee-based lot operators instead of the Port's revenue-sharing operator model.
- **Improved Security:** The budget proposes to enhance safety for Port tenants and the public by internalizing most security functions at the Port that were previously provided by contractors. Staff believes that this cost increase of only 2% will deliver significantly better security, keeping the waterfront a world-class attraction.
- **Equity:** Feedback from the annual race equity survey indicated career advancement is a significant concern to many Port employees. The proposed budget includes new journey-level management positions in the Maintenance division to both (a) create promotive opportunities for our skilled craft workers, and (b) improve the efficient and effective deployment of maintenance resources along our dynamic 7.5-mile waterfront. The budget also proposes to double the training funding to ensure staff can gain the skills needed to advance in their careers.
- **One-Time Capital Funding:** Because operating revenues recovered faster than expected, \$11.7 million of stimulus funding is being redirected to capital projects.

1. STRATEGIC OBJECTIVES

Despite the challenges posed by the recovery from the pandemic, the proposed FY 2024-25 and FY 2025-26 budget includes actions that advance all seven goals of the Port's Strategic Plan.

1. Economic Recovery

- a. Adds staffing resources for revenue collection to address the record-high amount of unpaid rent accumulated during the pandemic.
- b. Redirects stimulus funds from operating to capital investment to ensure the long-term viability of Port assets.
- c. Shifts security services away from contractors to Port staff to improve security for waterfront visitors and tenants.

2. *Economic Growth*

- a. Funds a feasibility study for a secondary cruise terminal to assess the cost of expanding cruise call capacity, which is currently limited by our single shoreside power access point.
- b. Creates a new partnership with the MTA for parking management expected to significantly increase parking revenues.
- c. Expands the project delivery capacity of the Port through new capital-funded positions.

3. *Equity*

- a. Creates new journey-level management positions in Maintenance to create promotive pathways.
- b. Doubles the training budget to allow staff to develop career skills.
- c. Increases funding for the Port's Race Equity Program to provide staff training.

4. *Resilience*

- a. Continues the Port's financial contribution towards the Waterfront Resilience Program and adds new project management positions to support ongoing work to address the seismic and sea-level rise risks.

5. *Sustainability*

- a. Includes funds for stormwater capture, improvements to sewer infrastructure, environmental clean-up at Pier 39-45, and a match to a grant to restore Heron's Head Park shoreline.

6. *Evolution*

- a. Creates a special project with the Bay Conservation and Development Commission (BCDC) that supports the development projects at Piers 30-32.

7. *Engagement*

- a. Invests in public access improvements to make the waterfront accessible to everyone.

2. ECONOMIC OUTLOOK

2a. Revenue Scenarios

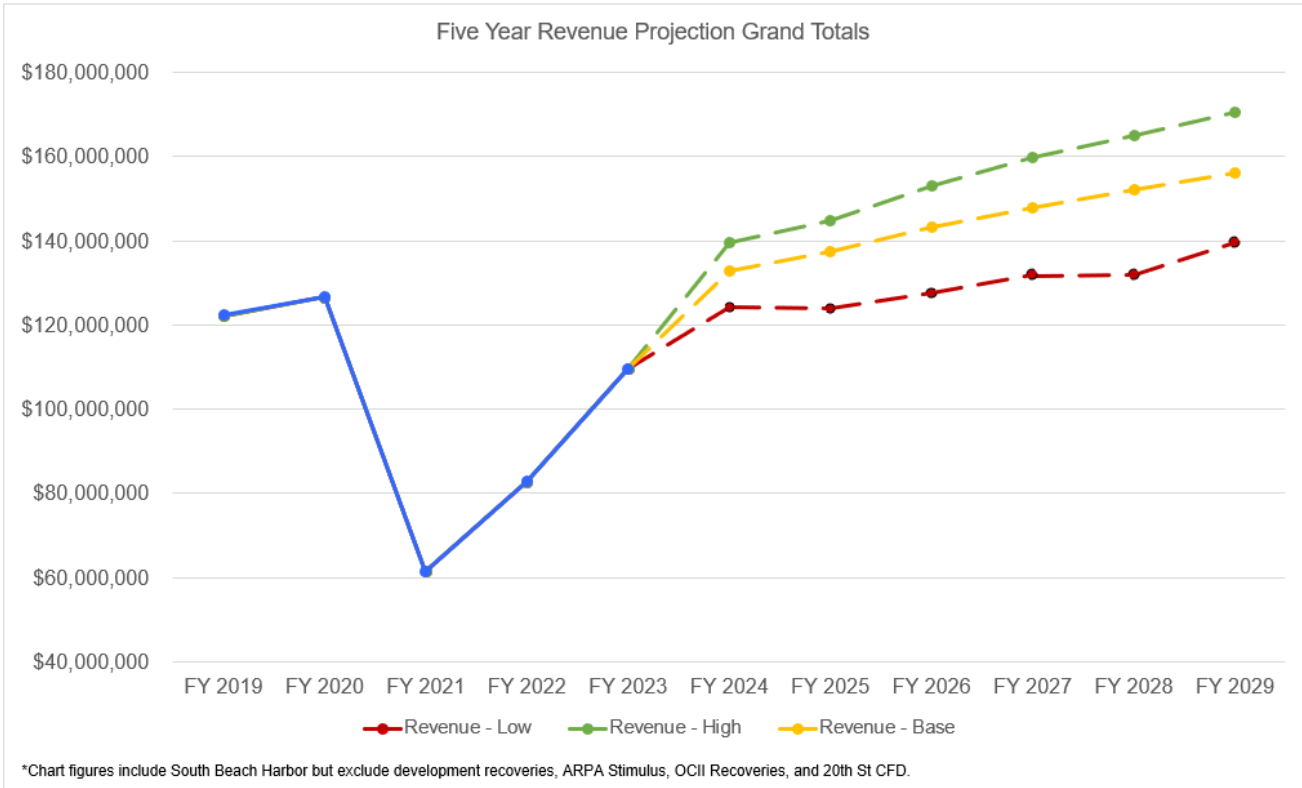
The Port benefits from a diverse revenue stream that served us well during the worst of the pandemic, as tourism-dependent revenues from cruise and restaurant operations plummeted but industrial revenues remained stable. Ultimately, the combination of steady industrial revenues, deep reserves, and stimulus funding allowed the Port to maintain critical operations and service levels. Revenues have now returned to pre-pandemic levels, led by the near-full recovery of leisure tourism. Cruise passenger volumes set new records, and key attractions along the waterfront continue to bring visitors to the Port.

Using Port revenue data since the pandemic’s onset, guidance from the Controller’s Office, and input from tenants, Port staff has developed base, low, and high case five-year revenue scenarios with the following major assumptions shown in Table 2a-1, and illustrated in Figure 2a-2.

Table 2a-1: Revenue Scenario Major Assumptions

Assumptions	Base (Budget Basis)	Low	High
Re-Leasing Northern Waterfront Restaurants	Five currently vacant restaurant spaces will be generating revenue by the beginning of FY 2025-26.	Only one existing vacancy will be filled by mid-FY 2025-26. In addition, three expiring restaurant and retail leases are to be rebid, contributing to a revenue gap in the next two fiscal years.	Six currently vacant restaurant spaces will be re-leased at different times during the two fiscal years, but all will generate revenues by the end of FY 2025-26.
Hotel Occupancy (a proxy for tourism)	Occupancy will return to pre-pandemic levels will be seen by 2029.	Pre-pandemic levels will only be seen after 2029.	Pre-pandemic levels to return by 2027.
Office Vacancy	Citywide vacancy peaked in 2023 and started making a slow recovery extending beyond 2029.	Vacancy will peak much later in 2025. As a result, the low case assumes a re-leasing period of 18 months on large office leases that expire during the forecast window.	Vacancy is forecasted to come down from its 2023 peak and recover slightly faster than the base case, but still beyond 2029.
Parking	Transition to the new parking model begins in mid-FY 2024-25 with moderate revenue increases.	Transition beginning of mid-FY 2025-26 with conservative revenue increases.	Transition beginning effective beginning of FY 2024-25 with high revenue increases.

Figure 2a-2: Revenue Scenarios

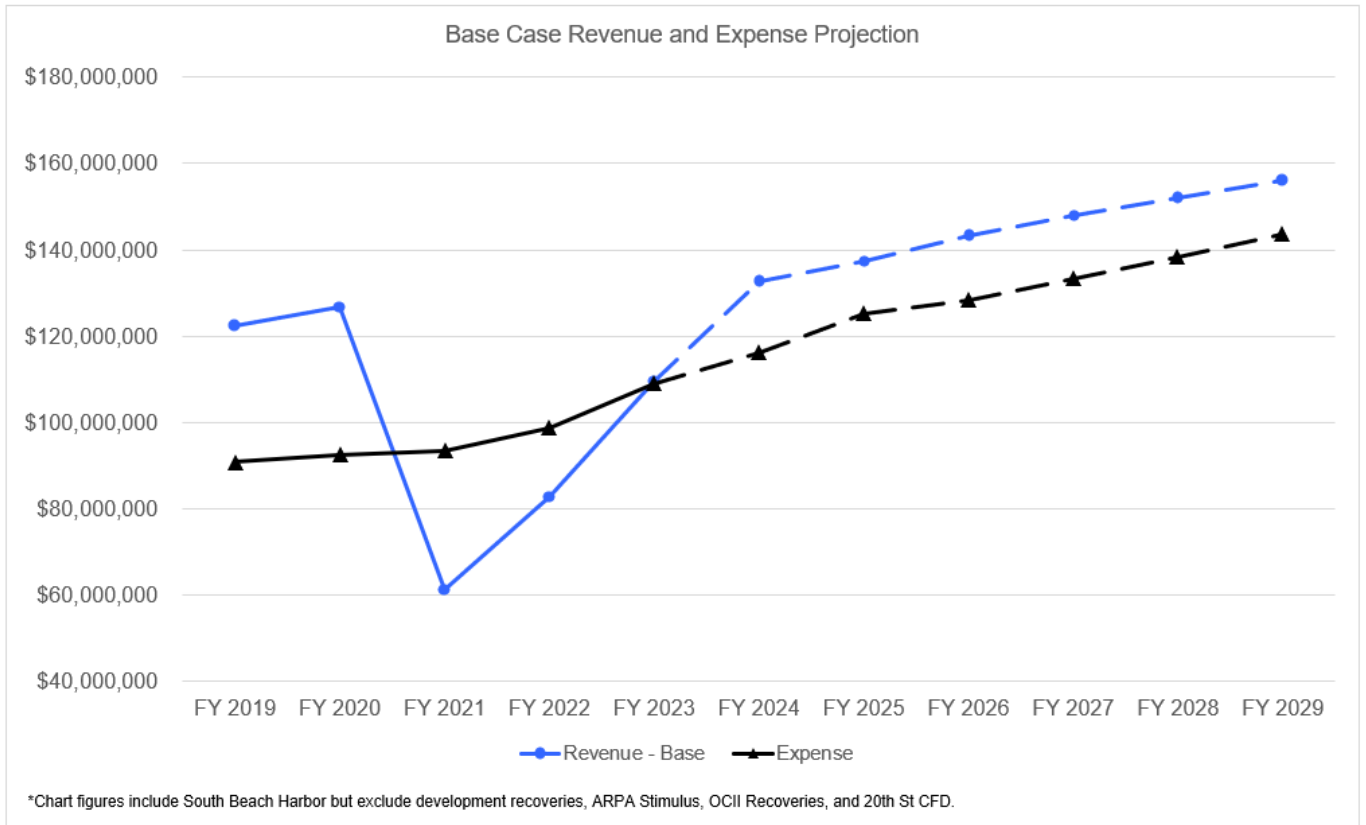


The uncertainty surrounding the scenarios above remains high. Office space in the financial district continues to suffer extremely high vacancy rates (approximately 32.5% as of this report, including subleased space), and while the Port’s relatively unique and affordable space remains well occupied at only 13% vacant, further degradation of the downtown office market will have spillover impacts to the Port.

2b. Net Operating Income and Fund Balance

While Figure 2a-2 above shows the revenue outlook, only when expenses are compared to revenues is the long-term impact of the pandemic clear: revenues have rebounded over the past four years to pre-pandemic levels, but high inflation during that same period drove expenses up, leaving little net operating income available for capital investment for the foreseeable future. Figure 2b-1 below illustrates this problem, using the base case for revenues, where the distance between the blue revenue line and the black expense line represents net operating income.

Figure 2b-1: Net Operating Income Compression



Due to this narrowing margin between operating revenues and operating expenses, staff has committed to pursuing other capital sources in the coming years such as:

- The Port Infrastructure Development Program (PIDP) is a discretionary grant program administered by the Federal Maritime Administration. Funds for PIDP are awarded on a competitive basis to projects that improve the safety, efficiency, or reliability of the movement of goods into, out of, around, or within a port. MARAD will award over \$600 million in grant funds through PIDP in 2024.
- The Environmental Protection Agency (EPA) Clean Ports Program is a new \$3 billion grant-funded program made available through the Inflation Reduction Act. The EPA will be awarding all of the funds in one round in 2024. The grant will include two programs that will be evaluated separately with 10% of funds available to support climate and air quality plans and the remaining 90% going to zero-emission technology deployment.
- Private development investment at the Port has long been a critical component of the long-term economic success of the Port. The staff is actively working to advance many projects such as Mission Rock and Pier 70 in order to attract outside funding into our assets.

In the longer term, the Port has the opportunity to benefit from major investments in a resilient shoreline, including:

- The US Army Corps of Engineers draft plan that indicates a federal interest in the Waterfront Resilience Program that could result in billions in federal investment (see Item 10A of the February 6, 2024 Port Commission meeting); and
- Another Waterfront Resilience General Obligation (GO) bond likely in 2028 for approximately \$200 million.

Note that none of the near or long-term sources listed above are included in the proposed biennial budget appropriation, but all will be the subject of future Commission approval.

In addition to revenues and expenses, a strong fund balance plays a critical role in the Port's overall economic health. Using the base revenue scenario above, Table 2b-2 below shows the Port's overall economic outlook including fund balance projections that plateau at approximately \$161.2 million in the out-years as the Port maximizes capital investment by directing any available net surplus to its assets.

Table 2b-2: Fund Balance Forecast through FY 2028-29 (\$millions)

	Estimated	Next Biennial Cycle		Following Biennial		Outyear
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Starting Fund Balance	156.6	177.7	161.2	161.2	161.2	161.2
Revenues						
Operating Subtotal	132.7	137.3	143.3	147.9	152.1	156.1
Operating Revenues ^a	125.9	137.3	143.3	147.9	152.1	156.1
One-Time Revenue ^b	6.9					
Other Subtotal	38.2	23.1	12.4	13.1	13.9	14.7
ARPA Stimulus	27.3	11.7				
OCII Recoveries	1.0	0.9	1.2	1.2	1.3	1.4
20th St CFD	0.3	0.3	0.3	0.3	0.3	0.4
Development Recoveries	9.6	10.2	10.8	11.5	12.2	13.0
Total Revenue	171.0	160.4	155.6	161.0	166.0	170.8
Operating Expenses ^a						
Salaries & Benefits	52.2	55.1	57.3	59.6	62.0	64.5
Other Current Expenses	14.7	15.6	14.9	15.5	16.1	16.7
Materials, Supplies & Equipme	2.4	2.7	2.7	2.8	2.9	3.0
Debt Service	6.1	6.1	6.1	6.1	6.1	5.9
Interdept. Work Orders	36.2	40.2	42.3	44.0	45.8	47.6
Programmatic Projects	4.6	5.0	4.9	5.1	5.3	5.5
Total Operating Expenses	116.2	124.8	128.2	133.0	138.1	143.2
Net Surplus/Deficit	54.7	35.7	27.5	27.9	27.9	27.6
Capital Expenses						
Portwide ^c	24.0	25.5	16.6	16.4	15.7	14.6
Development Projects	9.6	10.2	10.8	11.5	12.2	13.0
Development Capital Contribution		16.5				
Total Capital Expenses	33.7	52.2	27.5	27.9	27.9	27.6
Deposit to Fund Balance	21.1	-16.5	0.0	0.0	0.0	0.0
Ending Fund Balance	177.7	161.2	161.2	161.2	161.2	161.2

^a Includes South Beach Harbor (SBH)

^b Includes land sale to SFFD.

^c Includes separate fund for SBH

3. Operating Revenues

The biennial budget in FY2024-25 and FY2025-26 is supported by a variety of ongoing sources, most significantly from rents and fees from the use of Port property. Details of those sources are shown in Table 3-1 below, and the figures below reflect the first two years of the base scenario discussed in the Economic Outlook section above.

Table 3-1: Operating Revenue Detail (\$millions)

	FY 2022-23		FY 2023-24		Proposed Budget	
	Approved Budget	Actuals	Approved Budget	Projected	FY 2024-25	FY 2025-26
Real Estate						
Commercial Rent	37.7	45.1	37.7	48.5	51.1	52.1
Percentage Rent	18.9	19.8	24.7	13.3	13.3	15.1
Parking	16.0	21.2	18.5	21.4	29.0	32.1
Special Event & Miscellaneous	5.3	0.8	0.3	7.3	0.4	0.4
Real Estate Subtotal	78.0	86.9	81.2	90.5	93.9	99.8
Maritime						
Cargo	7.4	9.4	6.4	9.7	9.9	9.5
Cruise	7.8	10.4	7.8	9.9	10.3	10.6
Fishing	2.3	2.6	2.3	2.6	2.6	2.7
Harbor Services	2.0	2.5	2.1	2.3	2.4	2.5
Other Marine	4.2	8.2	4.3	7.4	8.1	7.8
South Beach Harbor	5.4	5.4	5.6	5.6	5.7	5.9
Maritime Subtotal	29.1	38.6	28.5	37.4	39.1	39.1
Other Port Revenues	2.7	11.1	2.5	4.8	4.3	4.4
Grand Total	109.7	136.6	112.2	132.7	137.3	143.3

Real Estate Revenues

- Commercial Rent:** This category includes fixed-rate tenants, primarily composed of shed, office, and land tenants. In FY 2024-25, the 36% increase from the FY 2023-24 budget (from \$37.7 to \$51.1 million) is due to overly conservative assumptions in the prior biennial budget that assumed flat rents and significant tenant non-payment. Despite challenges to the City-wide office market, the Port’s office space presents a distinct offering combining unique and affordable spaces on a famed waterfront. Current trends indicate the Port’s office portfolio will continue to perform better than the City-wide market, as tenants leave the financial district seeking better value and locations that offer a unique character.¹
- Percentage Rent:** This category primarily includes restaurant and retail tenants, some of which are large operators such as Pier 39. The FY 2024-25 budget represents a 46% decrease from the FY 2023-24 budget (from \$24.7 to \$13.3 million). This is due to a number of factors including:

 - Recategorizing excursion revenue from this category to Maritime. Despite a landside footprint on various piers and wharves, the revenue from excursions is driven by the bay cruises offered by the operators and is thus more accurately characterized as Maritime.
 - Unreasonably optimistic assumptions in the prior budget regarding the speed with which vacant restaurants would be re-leased and the number of additional vacancies that would occur.

¹ <https://www.sfchronicle.com/realestate/article/sf-downtown-jackson-square-18522867.php>

- Parking: This category includes off-street parking lots, on-street parking, assigned parking stalls, parking permits, and citations. The increase from the FY 2023-24 budget of \$18.5 million to the FY 2024-25 budget of \$29.0 million is due to the combination of (a) conservative assumptions in the FY 2023-24 revenue budget forecast and (b) the first year impact of the two-year roll-out of our new parking lot operations model. This model, subject to future Port Commission approval, follows the Municipal Transportation Agency's approach to lot operations that relies on pay-stations and fee-based lot operators instead of the Port's revenue-sharing model (see Table 4g-1 for an analysis of the net financial impact of this model after full implementation).
- Special Event & Miscellaneous: This category includes event permits, utility and service reimbursements from tenants, and one-time revenues. The FY 2022-23 budget assumed a \$5.9 million land sale to the Fire Department (for their use to build a training facility) that occurred in FY 2023-24, driving the large variance between budgeted and actuals in each year. Additionally, in FY 2023-24, the Port settled with a parking tenant for \$1 million for an incomplete infrastructure upgrade project, an amount that was not anticipated in the budget.

Maritime Revenues

- Cargo: This category includes vehicle exports and transport of dry bulk by water and rail. In FY 2024-25, the 54% increase from the FY 2023-24 budget (from \$6.4 to \$9.9 million) is due to the power capacity MOU with the San Francisco Public Utilities Commission (SFPUC) at Pier 70 that commenced in early 2022 along with the Portola Music Festival at Pier 80 (our cargo facility). Both are considered new businesses that were not previously anticipated in the budget. The power capacity MOU is expected to terminate in the middle of FY 2025-26 while the music festival is expected to continue annually.
- Cruise: This category includes rent from the terminal operator, tariffs charged to the cruise lines, shoreside power reimbursement, special events, and parking at the terminals on days without cruise calls. In FY 2022-23, the Port achieved a record 110 cruise calls and 390,967 passengers due to the faster than expected recovery of travel, bigger ships, and redeployment of vessels to the West Coast while the Asian cruise market remained closed. Revenues are expected to decline slightly from that record high as those ships return to Asia.
- Fishing: This category includes fish processing and gear storage. The success of off-boat fish and crab sales and demand for shed space at Pier 45 has contributed to the 14% increase in FY 2024-25 from the FY 2023-24 budget (from \$2.3 to \$2.6 million).
- Harbor Services: This category includes tenants that provide maritime support services such as towing, marine construction, vessel escorts, and barge services. The 15% increase in FY 2024-25 from the FY 2023-24 budget (from \$2.1 to \$2.4 million) stems from a renegotiated lease that became effective in July 2022 and was not previously assumed in the budget.

- Other Marine: This category includes lay berthing and other water-dependent uses. Going forward from FY 2024-25, excursion and ferry tenants are included in this category, contributing to an 89% increase from the FY 2023-24 budget (from \$4.3 to \$8.1 million). Excursion revenues are dependent upon tourism volumes and are predicted to follow the same growth patterns as the percentage rent category.
- South Beach Harbor (SBH): The harbor was acquired by the Port in 2012 after the dissolution of the redevelopment agency. For financial purposes, the harbor is a stand-alone business unit where SBH revenues are dedicated to SBH operating and capital costs. The Harbor's revenue sources remain stable and are derived from berth holders and tenants within the Pier 40 shed. The 3% budget increases in FY 2024-25 and FY 2025-26 are solely attributable to the CPI changes.

Other Port Revenues

This broad category includes revenues generated by other Port divisions from building and construction permits, penalties on late payments, interest on investments, and other miscellaneous items. In FY 2022-23, interest on investments skyrocketed and achieved a record of \$7.0 million due to the combined impact of increasing return rates and a larger than expected amount of investable cash. Investment returns are anticipated to slowly revert to historical averages as that cash, which is largely appropriated in capital projects, is spent.

One-Time Sources

- Surplus Asset Sales: By FY 2024-25, Maritime plans to reissue a Request for Offers and sell the two drydocks that have been abandoned by the shipyard operator at Piers 68/70, Drydock #2 and the Eureka. The expected proceeds from this transaction are included in the Other Marine category in Table 3-1 above.
- Redirected Stimulus: As discussed above, stimulus funding was appropriated to support operating expenses in the FY 2022-23 and FY 2023-24 budgets while revenues were still suppressed due to the pandemic. Because operating revenues returned to pre-pandemic levels faster than expected and stimulus funds are not needed to support operating functions, the proposed budget redirects \$11.7 in stimulus funding to much-needed capital investment.

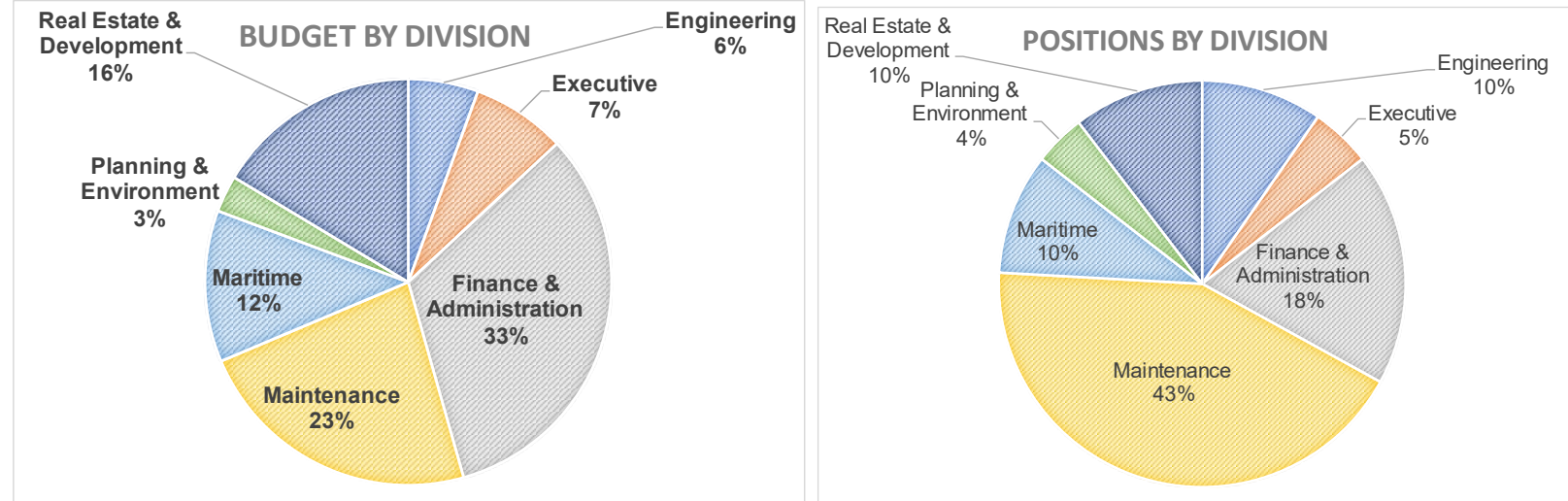
4. OPERATING EXPENSES

The Port's operating expense budget is organized by operating division, as shown in Table 4-1 below:

Table 4-1: Operating Expenses Summary (\$thousands)

Division	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Engineering	7,097.2	6,157.7	(939.5)	-13%	7,348.2	6,900.2	(448.1)	-6%	7,140.9	240.8	3%
Executive	9,320.1	8,440.3	(879.8)	-9%	9,437.1	10,849.7	1,412.6	15%	9,609.2	(1,240.5)	-11%
Finance & Administration	33,469.2	30,120.2	(3,349.0)	-10%	36,158.1	39,077.2	2,919.1	8%	41,702.4	2,625.2	7%
Maintenance	24,423.5	19,669.3	(4,754.1)	-19%	26,251.0	28,587.0	2,336.0	9%	29,511.8	924.8	3%
Maritime	13,871.8	12,279.8	(1,592.0)	-11%	14,422.6	14,940.3	517.7	4%	15,470.0	529.7	4%
Planning & Environment	3,211.0	3,181.3	(29.6)	-1%	3,354.0	3,640.3	286.4	9%	3,739.9	99.6	3%
Real Estate & Development	18,700.0	15,455.3	(3,244.7)	-17%	19,267.3	20,759.5	1,492.3	8%	20,989.0	229.5	1%
Grand Total	110,092.7	95,303.9	(14,788.8)	-13%	116,238.3	124,754.2	8,515.9	7%	128,163.3	3,409.1	3%

Figure 4-2: Percentage of Port Operating Expenses and Positions by Division



Division level detail follows, including expenditure analysis for FY2022-23 (the most recent complete fiscal year) and proposed changes in FY 2024-25 and FY2025-26.

4a. Engineering

The Engineering division offers comprehensive project and construction management, engineering design, facility inspection, construction contracting, code compliance review, and permitting services for all facilities within the Port. The division collaborates with other City departments to facilitate a smooth transition between the City and properties within the Port

The only significant change in Engineering's budget is the creation of four new capital positions to accelerate project delivery.

Table 4a-1: Engineering Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Personnel											
Salaries	3,918.6	3,476.4	(442.2)	-11%	4,192.2	3,887.6	(304.5)	-7%	4,043.1	155.5	4%
Mandatory Fringe Benefits	1,295.8	1,188.4	(107.4)	-8%	1,305.4	1,168.8	(136.7)	-10%	1,215.5	46.8	4%
Personnel Total	5,214.4	4,664.8	(549.6)	-11%	5,497.6	5,056.4	(441.2)	-8%	5,258.6	202.3	4%
Non-Personnel Services											
Prof & Specialized Svcs	847.0	450.7	(396.3)	-47%	711.0	711.0	-	0%	711.0	-	0%
Other Expenses	142.3	86.7	(55.6)	-39%	117.3	72.3	(45.0)	-38%	70.9	(1.4)	-2%
Non-Personnel Services Total	989.3	537.4	(451.9)	-46%	828.3	783.3	(45.0)	-5%	781.9	(1.4)	0%
Materials & Supplies	7.0	13.0	6.0	85%	7.0	7.0	-	0%	10.0	3.0	43%
Work Orders											
SFPUC - Project Pull	39.5	14.7	(24.8)	-63%	39.5	39.5	-	0%	39.5	-	0%
GF-PUC-Hetch Hetchy	-	-	-	-	-	-	-	-	-	-	-
DPW - As-needed Engineering	40.6	-	(40.6)	-100%	40.6	40.6	-	0%	40.6	-	0%
SFFD - Permit review	756.4	917.2	160.8	21%	885.2	923.4	38.2	4%	960.3	36.9	4%
Sr-DPW-Architecture	-	2.1	2.1	-	-	-	-	-	-	-	-
ADM Permit Center	-	5.1	5.1	-	-	-	-	-	-	-	-
Work Orders Total	836.5	939.1	102.6	12%	965.3	1,003.5	38.2	4%	1,040.4	36.9	4%
Programmatic Projects											
PO Facility Maint & Repair	50.0	3.5	(46.5)	-93%	50.0	50.0	-	0%	50.0	-	0%
Programmatic Projects Total	50.0	3.5	(46.5)	-93%	50.0	50.0	-	0%	50.0	-	0%
GRAND TOTAL	7,097.2	6,157.7	(939.5)	-13%	7,348.2	6,900.2	(448.1)	-6%	7,140.9	240.8	3%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- The Salaries & Fringe expenses finished 11% under budget due to ongoing vacancies and delays in the hiring process.
- Non-personnel services expenses were a substantial 46% under budget. The majority of this budget is for as-needed engineering services, which are sized to accommodate unusually high needs. Actual needs were below budgeted amounts.
- Materials & Supplies expenses exceeded the budget by a substantial 85% (although a minor dollar amount of \$6,000) and are attributed to the need to replace triennial building codebooks, an expense not originally included in the budget.
- Work Order expenses surpassed the budget by 21% due to additional expenses incurred by the SF Fire Department for fire prevention and permit reviews.
- The Programmatic Project for as-needed Port office improvements or repairs finished 93% under budget due to a lack of demand.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating position changes:
 - The following operating positions have been substituted for other positions within other divisions reducing the Personnel costs and are reflected in Table 4a-1 above.
 - 6318 – Construction Inspector was substituted for a 3232 Marina Assistant in the Maritime division (see that division for a rationale).
 - 5241 – Engineer was substituted for a 7120 Building and Grounds Maintenance Superintendent in the Maintenance division (see that division for a rationale).
 - 1844 – Senior Management Assistant was substituted for a 9775 Senior Community Development Specialist II in the Finance and Administration division (see that division for a rationale).
- Capital position changes:
 - The following capital position changes will support project delivery and have no impact on Engineering's Personnel costs shown in Table 4a-1 above. All of the changes below are intended to help address the backlog of funded capital projects (many of which are funded by stimulus which must be spent by December of 2026).
 - One new 5502 Project Manager I to manage the delivery of small to medium size capital projects.
 - Three new 5504 Project Manager II positions (1 will serve as ADA coordinator and the other 2 will manage complex projects as well as supervise PM Is).
 - Upward substitution from an 1823 Senior Administrative Analyst to a 5502 Project Manager I to manage small to medium size capital projects.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- A 38% reduction in other expenses is attributed to consolidating all software license fees into the Finance and Administration budget.
- A 43% increase in the Materials & Supplies budget in FY 2025-26 is due to the need to replace the codebooks that are published every three years.

4b. Executive

The Port Commission's policies are put into action by the Port's Executive Director and supporting staff. The Executive Division includes Security, Communications, Government Affairs, the Waterfront Resilience Program, and the Director's Office.

A significant change in the Port's approach to security is included in the proposed budget. Currently, the Port relies primarily on contracted security guards, augmented by SFPD officers. The services provided by the contractors, while affordable, have not provided the necessary level of security to provide a clean and safe waterfront for all to enjoy; therefore, this budget proposes to shift resources away from the contracted security provider to:

- Create three new Port-staff security guard positions and a supervisor position;
- Increase resources for SFPD officer support through an existing work order; and
- Purchase security equipment including a new vehicle and cameras on Port facilities.

The net financial impact of this shift in security is an increased cost of roughly \$50,000, or 2%, as shown in Table 4b-1 below. Notably, because this new security will be phased in over multiple fiscal years with the first full year under the new security model being FY26-27, the figures in Table 4b-1 below do not align with year-over-year budget changes in the biennial budget period.

Table 4b-1: Estimated Ongoing Financial Impact of Change in Security (\$thousands)

EXPENSES	Current	Proposed	\$ Change	% Change
Personnel	443.8	870.5	426.6	96%
Current Security Positions	443.8	443.8	-	0%
3 New Security Guards	-	294.4	294.4	-
1 New Marina Associate Manager	-	132.2	132.2	-
Non-Personnel	1,443.6	254.0	(1,189.6)	-82%
Security Contract Services	1,443.6	154.0	(1,289.6)	-89%
Real Estate CAM Charges ^a	-	100.0	100.0	-
Work Orders	1,049.7	1,788.2	738.5	70%
SFPD Police Security	1,049.7	1,500.0	450.3	43%
DTIS Services	-	288.2	288.2	-
Programmatic Projects	-	75.0	75.0	-
Homeland Security Special Projects	-	75.0	75.0	-
Expenses Total	2,937.1	2,987.7	50.6	2%

^aCAM charges are budgeted under Real Estate and Development

Table 4b-2: Executive Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle						
	FY 2022-23				FY 2023-24	FY 2024-25				FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY	
Personnel												
Salaries	1,486.1	1,946.7	460.6	31%	1,567.2	1,768.2	201.1	13%	1,839.0	70.7	4%	
Mandatory Fringe Benefits	520.8	652.2	131.4	25%	514.4	590.3	75.9	15%	613.9	23.6	4%	
Personnel Total	2,006.9	2,598.9	592.0	29%	2,081.5	2,358.5	277.0	13%	2,452.9	94.3	4%	
Non-Personnel Services												
Security Services	1,400.2	1,622.3	222.1	16%	1,442.2	1,416.5	(25.7)	-2%	160.2	(1,256.3)	-89%	
Other Expenses	596.0	218.3	(377.7)	-63%	596.0	613.6	17.7	3%	613.6	-	0%	
Non-Personnel Services Total	1,996.1	1,840.5	(155.6)	-8%	2,038.1	2,030.1	(8.0)	0%	773.8	(1,256.3)	-62%	
Materials & Supplies	3.8	430.7	427.0	11386%	3.8	158.0	154.3	4113%	158.0	-	0%	
Equipment	-	-	-	-	-	80.0	80.0	-	-	(80.0)	-100%	
Work Orders												
SF Airport - Calendar Printing	25.0	-	(25.0)	-100%	25.0	-	(25.0)	-100%	-	-	-	
City Administrators Support for special events	95.0	95.0	-	0%	95.0	95.0	-	0%	95.0	-	0%	
City Attorney Services	3,400.0	2,592.6	(807.4)	-24%	3,400.0	3,400.0	-	0%	3,400.0	-	0%	
OEWD Services	200.0	66.4	(133.6)	-67%	200.0	200.0	-	0%	200.0	-	0%	
Mayor's Services	33.6	33.6	-	0%	34.0	34.9	0.8	2%	34.9	-	0%	
Police Security Services - Portwide	1,049.7	639.8	(409.9)	-39%	1,049.7	1,500.0	450.3	43%	1,560.0	60.0	4%	
DT Technology Services	-	-	-	-	-	288.2	288.2	-	299.7	11.5	4%	
Work Orders Total	4,803.3	3,427.4	(1,375.9)	-29%	4,803.7	5,518.1	714.3	15%	5,589.6	71.5	1%	
Programmatic Projects												
Racial Equity	510.0	142.7	(367.3)	-72%	510.0	560.0	50.0	10%	560.0	-	0%	
Homeland Security Projects	-	-	-	-	-	145.0	145.0	-	75.0	(70.0)	-48%	
Programmatic Projects Total	510.0	142.7	(367.3)	-72%	510.0	705.0	195.0	38%	635.0	(70.0)	-10%	
GRAND TOTAL	9,320.1	8,440.3	(879.8)	-9%	9,437.1	10,849.7	1,412.6	15%	9,609.2	(1,240.5)	-11%	

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- Salaries & Fringe expenses ended 29% over budget due to the reassignment of Waterfront Resilience Program (WRP) communications staff into the Executive division, partially offset by vacancies in security staffing.
- Non-personnel services expenses went over budget due to a shift in cruise-related security costs shifting the Maritime budget to the Homeland Security section of Executive (the proposed FY 2024-25 and FY 2025-26 budget reflects this shift). The rest of the Executive Division's Non-Personnel Services budget was underutilized because of a lack of demand for as-needed services.
- Materials & Supplies expenses exceeded budget due to an unanticipated expenditure for Heron's Head Park projects that were completely offset by a donation.

- Work Order expenses were under budget by 29%, driven largely by decreased utilization of the City Attorney’s work order and the Police as-needed work order. The savings in the Police work order were largely driven by the staff vacancy in security that managed this as-needed service and is not anticipated to continue now that the position is full.
- Programmatic Project expenses for the Racial Equity Program were 72% below budget because of delays in getting consultants under contract.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating position changes:
 - Three new 8202 Security Guards and a 3233 Marina Associate Manager to supervise the three new guards. These new positions will replace the contracted vendor and provide improved security at the Port.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Non-personnel expenses reflect a reduction of 89% in security contractor costs, to be replaced by the new Port positions discussed above.
- Materials & Supplies expenses are proposed to increase for a one-time cost of \$316k, divided equally over the next two years, to install cameras on Port facilities as part of the restructured approach to Port security.
- One-time Equipment expense increase to allow Homeland Security to purchase an electric Ford F150 with police upfitting for the new Port security guards that are replacing contracted guards who had their own vehicles.
- The Work Order expense is proposed to increase by 15% due to increased SFPD resources dedicated to Port jurisdiction. This will also allow for flexibility in overtime and special events staffing.
- Homeland Security is requesting a new annual Programmatic Project budget for unanticipated special projects. In FY 2024-25, they are requesting an additional amount in the budget for physical access control systems.
- Racial Equity is proposing to increase its budget by 10%. This increase includes as-needed racial equity services and additional promotional items.

4c. Finance and Administration

The Finance and Administration Division is responsible for human resources, accounting, finance, contracts, information systems, and office/fleet management.

There are no significant changes planned in the proposed budget.

Table 4c-1. Finance and Administration Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Personnel											
Salaries	6,740.6	6,206.3	(534.3)	-8%	7,249.2	7,920.9	671.7	9%	8,237.7	316.8	4%
Mandatory Fringe Benefits	4,759.5	4,147.5	(611.9)	-13%	4,935.6	5,285.7	350.1	7%	5,497.1	211.4	4%
Overhead	1,000.0	-	(1,000.0)	-100%	1,040.0	1,081.6	41.6	4%	1,124.9	43.3	4%
Personnel Total	12,500.1	10,353.8	(2,146.3)	-17%	13,224.8	14,288.1	1,063.4	8%	14,859.7	571.5	4%
Non-Personnel Services											
Prof & Specialized Svcs	779.7	400.1	(379.6)	-49%	749.7	598.0	(151.7)	-20%	645.7	47.7	8%
Software Licensing Fees	530.5	655.2	124.7	24%	533.5	710.0	176.5	33%	740.0	30.0	4%
Other Expenses	367.2	239.4	(127.7)	-35%	328.3	529.5	201.2	61%	529.6	0.1	0%
Non-Personnel Services Total	1,677.4	1,294.7	(382.7)	-23%	1,611.5	1,837.5	226.0	14%	1,915.4	77.9	4%
Materials & Supplies	210.0	257.4	47.4	23%	205.0	177.0	(28.0)	-14%	188.3	11.3	6%
Equipment	-	13.9	13.9	-	53.1	-	(53.1)	-100%	-	-	-
Debt Services	6,343.6	6,245.9	(97.7)	-2%	5,600.0	5,601.1	1.1	0%	5,594.7	(6.4)	0%
Work Orders											
Risk Management Services & Insurance Premiums	9,301.9	9,170.0	(131.9)	-1%	11,433.9	12,800.0	1,366.1	12%	14,700.0	1,900.0	15%
Citywide Telecommunications Infrastructure Services	823.9	823.9	-	0%	942.4	1,010.6	68.2	7%	1,051.0	40.4	4%
PeopleSoft Citywide Services	267.4	258.7	(8.7)	-3%	374.7	389.3	14.6	4%	404.9	15.6	4%
Telophone Invoice Services	322.8	362.9	40.0	12%	323.8	320.1	(3.7)	-1%	332.9	12.8	4%
Internal Audit Services	363.8	135.2	(228.6)	-63%	285.0	289.1	4.1	1%	300.7	11.6	4%
Other Work orders	1,658.4	1,203.9	(454.5)	-27%	2,103.9	2,264.4	160.5	8%	2,354.9	90.6	4%
Work Orders Total	12,738.2	11,954.4	(783.7)	-6%	15,463.8	17,073.5	1,609.7	10%	19,144.4	2,070.9	12%
Programmatic Projects											
RE Database Upgrades	-	-	-	-	-	100.0	100.0	-	-	(100.0)	-100%
Programmatic Projects Total	-	-	-	-	-	100.0	100.0	-	-	(100.0)	-100%
GRAND TOTAL	33,469.2	30,120.2	(3,349.0)	-10%	36,158.1	39,077.2	2,919.1	8%	41,702.4	2,625.2	7%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following significant variance from the proposed budget:

- Salaries & Fringe expenses were 17% below budget due to ongoing vacancies and delays in hiring.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating position changes:
 - Substitution of an 1823 Senior Administrative Analyst to an 1824 Principal Administrative Analyst to support the significant growth in the volume and complexity of contracting needed to address the capital backlog and WRP.
 - Formalization of a number of mid-year temporarily exchanged positions (shown as TX's in Attachment I) in Human Resources that were needed to address the significant vacancy backlog caused during COVID, create an internal coordinator for staff development and workforce development.

- Capital position changes:
 - There are no proposed changes.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

Notable changes in the budget shown above include:

- A 61% increase in Other Expenses that includes a 100% increase in training resources available to Port staff. This increase supports career development opportunities included in the Port's Race Equity Action Plan.
- A 12% and subsequent 15% increase in the Risk Management work order due to (a) the recalculation of the cost to replace insured facilities reflected in an increase in property insurance premiums and (b) general cost increases in the insurance market.
- A new Programmatic Project to begin project scoping for the long-needed replacement and/or upgrade of the Real Estate Division's tenant management database.

4d. Maintenance

The Maintenance Division plays a pivotal role in the stewardship of the Port's extensive 7.5 miles of waterfront property. A dedicated and proficient team of over 100 skilled craftspeople spearheads the ongoing efforts to preserve and elevate the condition of critical Port assets, including fishing harbors, ferry landings, public parks, cargo terminals, and piers.

The proposed budget includes a significant investment in management resources for the Port's most complicated yet flattest division. It also creates additional promotive and advancement opportunities for shop supervisors. Overall, this includes four upward substitutions to create four Building and Grounds Maintenance Superintendents, and one upward substitution to create a Junior Management Assistant.

Table 4d-1: Maintenance Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Personnel											
Salaries	12,331.7	10,057.0	(2,274.7)	-18%	13,343.6	14,248.8	905.2	7%	14,818.8	570.0	4%
Mandatory Fringe Benefits	5,048.2	4,003.2	(1,045.0)	-21%	5,203.5	5,560.3	356.7	7%	5,782.7	222.4	4%
Personnel Total	17,379.9	14,060.2	(3,319.7)	-19%	18,547.1	19,809.1	1,262.0	7%	20,601.5	792.4	4%
Non-Personnel Services											
Prof & Specialized Svcs	14.0	30.2	16.2	116%	14.0	14.5	0.5	3%	15.1	0.6	4%
Scavenger Services	329.0	333.5	4.5	1%	408.1	425.0	16.9	4%	442.0	17.0	4%
Other Expenses	412.8	183.8	(229.0)	-55%	412.8	421.6	8.8	2%	439.5	17.9	4%
Non-Personnel Services Total	755.8	547.6	(208.3)	-28%	834.9	861.1	26.2	3%	896.6	35.5	4%
Materials & Supplies	799.6	812.6	13.1	2%	1,098.7	1,248.7	150.0	14%	1,292.6	43.9	4%
Equipment	992.8	736.5	(256.3)	-26%	998.9	983.7	(15.2)	-2%	981.3	(2.4)	0%
Work Orders											
GF-HR-Workers' Comp Claims	1,099.0	1,359.7	260.7	24%	1,114.0	1,500.0	386.0	35%	1,500.0	-	0%
Is-Purch-Centrl Shop-AutoMaint	701.4	746.8	45.4	6%	789.6	885.5	95.8	12%	916.9	31.4	4%
Adm-Real Estate Special Svcs	227.4	162.9	(64.4)	-28%	225.0	235.6	10.6	5%	235.6	-	0%
Is-Purch-Centrl Shop-FuelStock	180.2	246.7	66.5	37%	182.8	271.4	88.6	48%	282.3	10.9	4%
Sr-DPW-Street Cleaning	207.0	163.6	(43.4)	-21%	214.2	214.2	-	0%	214.2	-	0%
Other Work orders	229.9	225.5	(4.4)	-2%	235.2	387.2	152.0	65%	391.3	4.1	1%
Work Orders Total	2,644.8	2,905.2	260.3	10%	2,760.9	3,493.9	732.9	27%	3,540.3	46.4	1%
Programmatic Projects											
Stormwater Pollution Control	190.0	32.4	(157.6)	-83%	200.0	200.0	-	0%	200.0	-	
Abandoned Mat-Illegal Dumpin C	200.0	126.8	(73.2)	-37%	200.0	200.0	-	0%	200.0	-	
Utility Annual Maintenance	80.0	-	(80.0)	-100%	80.0	80.0	-	0%	80.0	-	
Oil Spill Response Training &	90.0	81.9	(8.1)	-9%	90.0	90.0	-	0%	90.0	-	
Sanitary Sewer Management Plan	150.0	-	(150.0)	-100%	250.0	250.0	-	0%	250.0	-	
Tree Replacement & Maintenance	0.0	-	-	-	-	180.0	-	-	189.0	0.0	
GE Youth Employment & Environm	365.0	328.0	(37.0)	-10%	415.0	415.0	-	0%	415.0	-	
PO Facility Maint Repair P50	407.0	27.6	(379.4)	-93%	407.0	407.0	-	0%	407.0	-	
PO Crane Cove Park	368.5	10.5	(358.0)	-97%	368.5	368.5	-	0%	368.5	-	0%
Programmatic Projects Total	1,850.5	607.3	(1,243.3)	-67%	2,010.5	2,190.5	180.0	9%	2,199.5	9.0	0%
GRAND TOTAL	24,423.5	19,669.3	(4,754.1)	-19%	26,251.0	28,587.0	2,336.0	9%	29,511.8	924.8	3%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- Salaries & Fringe expenses were 19% below budget due to ongoing vacancies and delays in hiring.
- Non-Personnel expenses were 28% below budget because the department operated with a reduced workforce that limited its ability to utilize Non-Personnel resources as initially projected.
- Equipment expenses came in 26% below budget because the procurement of equipment took considerably longer than anticipated.
- Work Order expenses were 10% over budget, primarily due to worker's compensation claims coming in higher than anticipated.
- Programmatic Project expenses were 67% below budget and attributed to vacancies within the division that would typically deploy this project funding as needed.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating positions changes:
 - The following substitutions are planned to create four Assistant Superintendent positions (classified as a 7120 Building and Grounds Maintenance Superintendent) to increase the effective and efficient management of resources, and also create promotive pathways into management. The substitutions include:
 - Downward substitution from a 5241 Engineer (from the Engineering division) to a 7120 Buildings and Grounds Maintenance Superintendent
 - Upward substitution from a 9331 Piledriver Engine Operator to a 7120 Buildings and Grounds Maintenance Superintendent
 - Upward substitution from a 9332 Piledriver Supervisor I to a 7120 Buildings and Grounds Maintenance Superintendent
 - Upward substitution from a 7502 Asphalt Worker to a 7120 Buildings and Grounds Maintenance Superintendent
 - An upward substitution from a 1406 Senior Clerk to an 1840 Junior Management Assistant will better meet the work demands for procurement, scheduling, and program coordination for this complex division.
- Capital position changes:
 - The addition of a new 7434 Maintenance Machinist Helper to support capital project delivery, specifically for the sewer pump conversion and stormwater enhancement projects. This type of entry-level position also meets Port goals for race equity in our Racial Equity Action Plan.
 - Addition of a new 6138 Industrial Hygienist to address the growing backlog of capital projects.
 - The following capital project positions are surplus and will be eliminated as there are no longer funded capital projects in need of these roles.

- One 7215 General Laborer Supervisor
- One 7311 Cement Mason
- Two 7347 Plumbers
- One 7355 Truck Driver
- Two 7514 General Laborers

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

Notable changes in the budget shown above include:

- A 14% uptick in Materials & Supplies expenses is necessary to accommodate the inflationary cost of materials.
- A 27% increase in Work Order expenses primarily attributed to:
 - A surge in the worker's compensation work order.
 - Rising fuel prices.
 - Increase in the Department of Public Work's (DPW) Urban Forestry work order to remove dead trees.

4e. Maritime

The Maritime Division is responsible for managing and marketing a wide array of maritime industries: passenger cruise, cargo shipping, commercial and sport fishing, and ferry and excursion operations. In addition, the Division oversees South Beach Harbor (SBH) which is a full-service marina, consisting of 700 slips for recreational and commercial berthing. For financial purposes, the harbor is a stand-alone business unit where SBH revenues are dedicated to SBH operating and capital costs.

Table 4e-1: Maritime Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Maritime Personnel											
Salaries	1,961.5	1,671.0	(290.5)	-15%	2,027.5	2,216.4	188.9	9%	2,305.1	88.7	4%
Mandatory Fringe Benefits	719.4	667.6	(51.7)	-7%	701.0	772.2	71.2	10%	803.0	30.9	4%
Personnel Total	2,680.8	2,338.6	(342.2)	-13%	2,728.5	2,988.6	260.1	10%	3,108.1	119.5	4%
Non-Personnel Services											
Prof & Specialized Svcs	800.0	655.1	(144.9)	-18%	800.0	900.0	100.0	13%	936.0	36.0	4%
Other Expenses	503.1	123.5	(379.6)	-75%	503.5	213.5	(290.0)	-58%	222.0	8.5	4%
Non-Personnel Services Total	1,303.1	778.5	(524.5)	-40%	1,303.5	1,113.5	(190.0)	-15%	1,158.0	44.5	4%
Materials & Supplies	9.5	12.9	3.4	36%	9.5	20.0	10.5	111%	20.8	0.8	4%
Work Orders											
SFO - Graphic design services	26.0	-	(26.0)	-100%	26.0	26.0	-	0%	26.0	-	0%
SFPUC - Ship shoreside power	1,440.0	1,669.7	229.7	16%	1,656.1	1,760.0	103.9	6%	1,804.0	44.0	3%
SFFD - Fire boat operations	3,845.6	3,835.6	(10.0)	0%	3,990.9	4,101.9	110.9	3%	4,296.7	194.8	5%
MTA - Cruise call traffic control	15.0	-	(15.0)	-100%	15.0	15.0	-	0%	15.0	-	0%
POL - Cruise call security services	575.0	487.2	(87.8)	-15%	581.8	609.4	27.6	5%	638.3	28.9	5%
Work Orders Total	5,901.6	5,992.6	90.9	2%	6,269.8	6,512.3	242.5	4%	6,780.1	267.8	4%
Programmatic Projects											
PO Cargo Fac Repair	109.0	26.1	(82.9)	-76%	109.0	109.0	-	0%	109.0	-	0%
Programmatic Projects Total	109.0	26.1	(82.9)	-76%	109.0	109.0	-	0%	109.0	-	0%
Maritime Total	10,004.0	9,148.7	(855.3)	-9%	10,420.3	10,743.3	323.1	3%	11,176.0	432.7	4%

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
South Beach Harbor Personnel											
Salaries	1,220.8	1,013.5	(207.3)	-17%	1,258.8	1,361.5	102.7	8%	1,416.0	54.5	4%
Mandatory Fringe Benefits	434.4	423.6	(10.8)	-2%	536.6	579.0	42.4	8%	602.2	23.2	4%
Personnel Total	1,655.2	1,437.1	(218.1)	-13%	1,795.4	1,940.5	145.2	8%	2,018.2	77.6	4%
Debt Services	536.0	536.0	-	0%	536.0	536.0	-	0%	536.0	-	0%
Work Orders											
SFPUC - Utilities	287.7	274.9	(12.7)	-4%	282.0	295.4	13.4	5%	309.5	14.0	5%
ADM - Insurance services	101.9	100.9	(1.1)	-1%	101.9	106.7	4.8	5%	111.8	5.1	5%
CAT - Legal services	-	21.9	21.9	-	-	30.0	30.0	-	30.0	-	0%
ADM - Printing services	-	-	-	-	-	1.0	1.0	-	1.0	-	0%
TTX - Lock box services	7.0	2.7	(4.2)	-61%	7.0	7.3	0.3	4%	7.6	0.3	4%
Work Orders Total	396.6	400.4	3.8	1%	390.9	440.4	49.5	13%	459.8	19.4	4%
Programmatic Projects											
PO South Beach Harbor Project	1,280.1	757.6	(522.4)	-41%	1,280.1	1,280.1	-	0%	1,280.1	-	0%
Programmatic Projects Total	1,280.1	757.6	(522.4)	-41%	1,280.1	1,280.1	-	0%	1,280.1	-	0%
South Beach Harbor Total	3,867.8	3,131.1	(736.7)	-19%	4,002.3	4,197.0	194.7	5%	4,294.0	97.0	2%
GRAND TOTAL	13,871.8	12,279.8	(1,592.0)	-11%	14,422.6	14,940.3	517.7	4%	15,470.0	529.7	4%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- Other Expenses came in at 75% under budget because security services relating to cruise and maritime facilities were shifted to the Executive Division's Homeland Security budget (the proposed FY 2024-25 and FY 1015-16 budget reflects this shift).
- Materials and Supplies expenses, which cover boat fuel and lubricant, locks, and other incidentals incurred by wharfingers, came in at 36% over budget because of faster than anticipated resumption of activity along the waterfront in conjunction with rising inflation.
- The work order with the Airport for the graphic design of banners was not utilized because the staff decided to use City Reproduction instead.
- The work order with MTA for traffic and pedestrian control on cruise days was not utilized because of competing MTA staffing demands; however, talks are underway to secure the necessary resources to provide the services in the future.
- The annual project for Facility Repairs which typically covers unforeseen repairs and the removal of abandoned vessels came in at 76% under budget due to lack of demand.
- South Beach Harbor had an unexpected legal matter that required specialized services. The proposed budget includes a

new work order with the City Attorney to cover such needs should they arise.

- The Programmatic Project for South Beach Harbor is intended to cover its as-needed Non-Personnel, Materials & Supplies, and Equipment. Low demand for as-needed services resulted in costs coming in 41% under budget.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating position changes:
 - Two FTE upgrades from 1406 Sr. Clerks to 1840 Jr. Management Assistants to allow for increased flexibility in job duties. As South Beach Harbor continues to grow and undertake Capital Improvement Projects, particularly the North Guest Dock, and the Port continues to focus on the revitalization of Fisherman's Wharf, a substantial increase in complex administrative requirements is anticipated. In addition, the 1840 Jr. Management Assistants will provide the leadership and resourcefulness skills along with maritime industry knowledge of harbor-specific tasks, regulations, and policies and procedures to navigate the intricacies of a 24/7 operation and improve both harbors' overall office processes.
 - One FTE downgrade from 6318 Construction Inspector which is no longer a priority to 3232 Marina Assistant to provide additional coverage and resources at Hyde Street Harbor to prevent theft, vandalism, hazardous conditions, and illegal charters that contribute to lost revenues. The position will also assist in performing boater and maintenance support services that will lead to enhanced service delivery to our customers.
- Capital position changes:
 - There are no proposed changes.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- A 13% increase in Professional Services allows Maritime to engage consultants for feasibility studies for a secondary cruise terminal and proposed Maritime uses in the Backlands.
- A 58% decrease in Other Expenses represents the previously mentioned move to centralize security expenses under the Executive division's Homeland Security budget.

4f. Planning and Environment

The Planning and Environment division provides regulatory and review responsibilities pertaining to Port building permits, leases, and use proposals to ensure that proposals for Port properties comply with applicable land use, design review, and environmental impact review requirements administered by a number of different government agencies.

There are no significant changes planned in the proposed budget.

Table 4f-1: Planning and Environment Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Personnel											
Salaries	1,632.7	1,942.5	309.7	19%	1,690.6	1,800.0	109.4	6%	1,872.0	72.0	4%
Mandatory Fringe Benefits	535.2	643.5	108.3	20%	526.2	564.0	37.8	7%	586.6	22.6	4%
Personnel Total	2,167.9	2,585.9	418.0	19%	2,216.8	2,364.0	147.2	7%	2,458.6	94.6	4%
Non-Personnel Services											
Prof & Specialized Svcs	400.0	197.9	(202.1)	-51%	550.0	650.0	100.0	18%	650.0	-	0%
Other Expenses	209.0	86.1	(122.9)	-59%	128.1	142.3	14.2	11%	147.3	5.0	4%
Non-Personnel Services Total	609.0	284.0	(325.0)	-53%	678.1	792.3	114.2	17%	797.3	5.0	1%
Materials & Supplies	10.0	1.3	(8.7)	-87%	10.0	10.0	-	0%	10.0	-	0%
Equipment	-	-	-	-	-	-	-	-	-	-	-
Work Orders											
City Planning coordination and design review services	150.0	140.3	(9.7)	-6%	150.0	200.0	50.0	33%	200.0	-	0%
Real Estate Service	25.0	5.0	(20.0)	-80%	25.0	-	(25.0)	-100%	-	-	-
Heron's Head Park	82.0	82.0	-	0%	82.0	82.0	-	0%	82.0	-	0%
Work Orders Total	257.0	227.3	(29.7)	-12%	257.0	282.0	25.0	10%	282.0	-	0%
Programmatic Projects											
PO Public Access Improvements	40.0	10.0	(30.0)	-75%	60.0	60.0	-	0%	60.0	-	0%
PO Heron's Head Park (Pier 98)	77.0	71.8	(5.2)	-7%	82.0	82.0	-	0%	82.0	-	0%
PO Envirom Cleanup Pier 39-45	50.0	1.0	(49.0)	-98%	50.0	50.0	-	0%	50.0	-	0%
Programmatic Projects Total	167.0	82.8	(84.2)	-50%	192.0	192.0	-	0%	192.0	-	0%
GRAND TOTAL	3,211.0	3,181.3	(29.6)	-1%	3,354.0	3,640.3	286.4	9%	3,739.9	99.6	3%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- Salaries & Fringe Benefits expenses exceeded the budget amount by 19% due to staff time related to an unfunded contamination negotiation with the responsible parties.
- Non-personnel expenses, largely for as-needed consultants, were under the budgeted amount by 53% due to a lack of demand for such services.
- Programmatic Projects expenses were also 50% under the budget amount due to pauses in the project workflow.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

The proposed budget includes the following position changes:

- Operating position changes:
 - Upward substitution of a 0931 Manager III to a 0932 Manager IV due to a budget update for a mid-year temporary transfer to support increasingly complex environmental regulations.

- Upward substitution of a 5291 Planner III to a 5293 Planner IV because the workload has increased significantly to include permitting for larger and more complex projects like Pier 30/32 and no longer lends itself to the scope of the lower classification. This position supports Port tenant capital projects, and the enhanced expertise of a 5293 Planner IV will improve efficiencies in securing necessary entitlements to move projects along and lease Port properties more quickly, directly impacting revenues.
- Capital position changes:
 - Upward substitution of a 5502 Project Manager I to a 5504 Project Manager II due to an increased workload of Port Capital projects and several claims against the Port for historic contamination. The position will help limit, if not eliminate, millions of dollars in penalties and/or cleanup costs.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

Notable changes in the budget shown above include:

- An 18% increase in the Prof & Specialized Services budget is due to (a) an upcoming special project in which the work will be contracted out with BCDC reimbursing 50% of the costs and P&E reimbursing the remaining half, (b) air travel to a scheduled conference, and (c) promotional budget for the Biennial State of the Estuary Conference taking place in FY 2025-26.
- A 33% increase in the City Planning work order is due to the recent acquisition of a \$7.8 million grant to study the Southern Embarcadero and may require partnership with SF Planning and SFMTA.
- A 100% decrease in the Real Estate Service work order due to the work order being moved to the Real Estate & Development division budget.

4g. Real Estate and Development

The Real Estate and Development Division is responsible for marketing, leasing, and managing the Port's commercial and industrial property along the 7.5 miles of waterfront land that extends from Fisherman's Wharf and Hyde Street Harbor to Heron's Head Park and Pier 96. In addition, the Division is responsible for managing development projects on Port property; this large responsibility involves significant public-private partnerships that span developer selection, construction, and facility management.

A significant change in the Port's approach to parking management is assumed in the proposed budget. Currently, the Port relies primarily on parking lot operators to manage the lots under a lease where the Port receives 66% of gross revenues. The new model, subject to future separate approval by the Port Commission of an MOU with the MTA, will include a combination of newly metered lots and flat-fee lot operators where the Port will receive 100% of revenues and pay a fixed amount for lot operation and maintenance. While the terms of that MOU are still under discussion, preliminary estimates forecast this new

mode will increase new parking income to the Port by approximately \$9.8 million or 50%, as shown in Table 4g-1 below. Notably, because this new parking model will be phased in over multiple fiscal years with the first full year after implementation being FY 2025-26, the figures in Table 4g-1 below do NOT align to year over year budget changes in the biennial budget period.

Table 4g-1: Estimated Financial Impact of New Parking Model (\$thousands)

	Current	Proposed	\$ Change	% Change
REVENUES				
Parking				
Lots	11,899.7	4,901.6	(6,998.2)	-59%
Stalls	738.9	268.0	(470.9)	-64%
Meter	5,717.3	17,258.7	11,541.4	202%
Citations	2,850.3	9,644.9	6,794.6	238%
Revenues Subtotal	21,206.3	32,073.1	10,866.8	51%
EXPENSES				
Non-Personnel				
Parking Operator Management Fee	-	150.0	150.0	-
Credit Card Transaction Fees	212.0	640.0	428.0	202%
Work Orders				
MTA Parking Enforcement & Meter Maintenance	2,038.6	2,500.0	461.4	23%
Expenses Subtotal	2,250.6	3,290.0	1,039.4	46%
Total Net Revenue	18,955.7	28,783.1	9,827.5	52%

Table 4g-2: Real Estate & Development Operating Expenses (\$thousands)

	Previous Year Actuals				Approved Current Year	Next Biennial Cycle					
	FY 2022-23				FY 2023-24	FY 2024-25			FY 2025-26		
	Budget	Actuals	\$ Variance	% Variance	Budget	Budget	\$ Change from PY	% Change from PY	Budget	\$ Change from PY	% Change from PY
Personnel											
Salaries	4,323.3	3,081.3	(1,242.1)	-29%	4,498.6	4,660.9	162.3	4%	4,847.3	186.4	4%
Mandatory Fringe Benefits	1,612.0	1,067.4	(544.6)	-34%	1,585.1	1,641.4	56.3	4%	1,707.0	65.7	4%
Personnel Total	5,935.3	4,148.7	(1,786.7)	-30%	6,083.7	6,302.3	218.6	4%	6,554.4	252.1	4%
Non-Personnel Services											
Prof & Specialized Svcs	1,000.0	242.3	(757.7)	-76%	1,000.0	500.0	(500.0)	-50%	650.0	150.0	30%
Rents & Leases	4,315.0	4,137.8	(177.2)	-4%	4,325.0	4,510.6	185.6	4%	4,688.0	177.4	4%
Other Expenses	2,608.7	2,560.7	(48.0)	-2%	2,629.5	3,178.5	549.0	21%	3,229.2	50.7	2%
Non-Personnel Services Total	7,923.7	6,940.8	(982.9)	-12%	7,954.5	8,189.1	234.6	3%	8,567.2	378.1	5%
Materials & Supplies	-	0.6	0.6	-	-	1.0	1.0	-	1.0	-	0%
Work Orders											
SFPUC - Electricity and gas	1,674.7	1,995.5	320.7	19%	1,439.3	2,090.2	651.0	45%	2,189.5	99.3	5%
SFFD - Event permit review	116.3	92.5	(23.8)	-20%	239.9	239.9	-	0%	239.9	-	0%
MTA - Parking and enforcement	2,649.9	2,086.6	(563.3)	-21%	3,149.9	3,000.0	(149.9)	-5%	2,500.0	(500.0)	-17%
ADM - Real Estate services	-	-	-	-	-	525.0	525.0	-	525.0	-	0%
TTX - Collection services	-	-	-	-	-	12.0	12.0	-	12.0	-	0%
Work Orders Total	4,441.0	4,174.6	(266.3)	-6%	4,829.1	5,867.1	1,038.1	21%	5,466.4	(400.7)	-7%
Programmatic Projects											
PO MiscTenant Facility Imprv.	400.0	190.6	(209.4)	-52%	400.0	400.0	-	0%	400.0	-	0%
Programmatic Projects Total	400.0	190.6	(209.4)	-52%	400.0	400.0	-	0%	400.0	-	0%
GRAND TOTAL	18,700.0	15,455.3	(3,244.7)	-17%	19,267.3	20,759.5	1,492.3	8%	20,989.0	229.5	1%

FY 2022-23 Budget vs Actuals

The year-end results from FY 2022-23 have been finalized, with the following notable variances from the proposed budget:

- Salaries & Fringe Benefits expenses came in at 30% under budget due to staff turnover and delays in hiring.
- Professional Services expenses came in at 76% under budget due to expiring contracts for as-needed real estate economic services. In addition, a decision was made to use City Real Estate’s existing pool of broker contracts instead of issuing a competitive bid solicitation and managing the contracts directly.
- The work order with PUC for electricity and gas came in at 19% over budget due to the post-pandemic return to office and increased business activity that led to increased utility usage.

- The work order with the Fire Department came in at 20% under budget because staff did not spend as much time as anticipated on reviewing the increasing volume of special event permits.
- The work order with MTA achieved a 21% savings because Port issued the PO to pay the meter vendor directly for the upgrade project instead of reimbursing MTA through the work order. However, this cost shifted into Other Expenses under Non-Personnel Services and did not represent actual savings.
- The annual project for Tenant Facility Improvements came in at 52% under budget due to the Port's lack of capital project capacity. Also, a handful of other projects were started in FY 2022-23 but were not completed and carried over to FY 2023-24. The Port is currently working to increase project delivery capacity and does not anticipate future savings in this project budget.

Position Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- Operating budget position changes:
 - One FTE downgrade from 9395 Property Manager to 1823 Senior Administrative Analyst and one FTE upgrade from 9395 Property Manager to 1824 Principal Administrative Analyst. These positions will continue to manage public parks and coordinate special events; however, the duties and analytical expertise more closely align with the skillset of the 1800 Analyst Classification series.
 - One FTE downgrade from 5283 Planner V to 0923 Manager II. This adjusts for a mid-year TX because the development project manager role was filled at a Manager II level which aligns the classification to other development project management roles at the Port.
- Capital budget position changes:
 - One FTE upgrade from 1406 Sr. Clerk to 4306 Collections Officer is needed because uncollected rents increased by ten times since the onset of the pandemic. The 4306 Collections Officer is needed to bring accounts into compliance before the statute of limitations prevents the collection of unpaid revenue.
 - One FTE deletion of 0922 Manager I. This position is surplus as there are no longer funded capital projects to support the role.

Other Changes in Proposed FY 2024-25 and FY 2025-26 Budget

- A 50% reduction in Professional Services expenses for FY 2024-25 is balanced by an equivalent dollar value increase in the work order with City Real Estate which manages the contracts for broker services. In the subsequent year, a 30% increase in Professional Services expenses will cover expected annual operator fees for several parking locations.
- The 21% increase in Other Expenses for FY 2024-25 includes \$365K for PUC's new stormwater program, increased utility expenditures due to vacancies and increasing rates, and utility costs at Ferry Building Gate B that were previously budgeted under Maritime. An additional \$330K in credit card transaction fees are anticipated after the forthcoming expansion of MTA meters to off-street locations. Finally, a \$150K reduction is adjusted for security guard and monitoring

services that are being paid for out of the Executive Division's Homeland Security budget.

- The PUC work order for electricity and gas at all Port-owned facilities is expected to increase by 45% in FY 2024-25 due to a dramatic increase in utility costs. Forecasted expenditure is based upon PUC analysis using current usage activity and rates.
- The MTA work order for parking and enforcement is planned to decrease by 5% in FY 2024-25 despite an MOU expansion to meter off-street Port parking lots because the prior year's budget included one-time meter hardware. Additionally, the Port is in the process of securing a \$200K grant from the MTA to offset a portion of the startup costs. In the subsequent year, the budget is expected to decrease further by 17% as the start-up costs diminish.
- Two new work orders are proposed:
 - Previously budgeted under Planning & Environment, City Real Estate provides ongoing appraisal services and will also provide broker services to support the re-leasing of vacant spaces, previously budgeted under Professional Services.
 - The Treasurer and Tax Collector's Bureau of Delinquent Revenue will provide collection support to resolve outstanding accounts that have remained past due since the pandemic.

5. CAPITAL EXPENSES

For more than a decade, the Port of San Francisco has used its ten-year Capital Plan to guide its capital investments. The Capital Plan helps to educate the public and policymakers about the magnitude of the Port's capital needs, as well as the limited resources available to address them. The FY 2023-24 to FY 2032-33 Capital Plan identifies a \$2.24 billion state of good repair (SOGR) investment need, \$1.65 billion of which is currently unfunded.

To facilitate strategic analysis and bridge the gap between the distant ten-year time span of the Capital Plan and the immediacy of the two-year capital budget, the Port develops a Five-Year Capital Improvement Program (CIP). Unlike the ten-year Capital Plan, which identifies the Port's total capital needs regardless of available funding, the five-year CIP programs specific projects according to the amount of capital funding staff estimates will be available over the next five years. The CIP also allows staff to consider the time span necessary to conceive, design, and deliver capital projects. The CIP lays out the Port's vision for addressing as many of the needs identified in the Capital Plan as possible, given limited resources.

The first two years of the five-year CIP are included in the biennial FY 2024-25 and FY 2025-26 budget. The biennial budget appropriates Port capital funds only, not General Obligation Bonds for the Waterfront Resilience Program that will be subject to a separate, future approval by the Port Commission.

5a. The Five-Year Capital Improvement Program and Biennial Capital Budget

The Port's Finance staff began the development of the CIP by soliciting capital requests from all Port divisions. Project forms included information about the project scope, schedule, budget, return on investment, safety improvements, and the relationship to the Port's mission. A committee consisting of the deputy director from each Port division, plus analytical support from Finance and the Project Management Office, ranked the projects against one another using the following principles:

- Honor Prior Commitments: the project was funded in a previous Capital Budget and additional funds are needed to complete the project due to expanded scope, a new cost estimate, or bids that came in over the approved budget.
- Address Priority Health and Safety Needs: the project is legally mandated, or failure to complete the scope puts the Port in imminent jeopardy of being legally mandated to do the work.
- Meet Imminent Leasing Needs: the project is required to prepare a Port facility for a tenant, per an existing or pending lease agreement.
- Strategic Investment: the investment will generate sufficient revenue in the future to justify postponing other capital improvements.
- Leverage Port Funds with Outside Sources: the project will be partially or fully funded by non-Port funding sources.

Table 5a-1 below provides an overview of the sources of funds available in the Five-Year CIP. These funds include net operating income from Port operations, contributions from development partners, and General Obligation Bond proceeds for the Waterfront Resilience

Program. Table 5a-2 shows the uses of those funds over five years, and the proposed biennial capital budget (the first two years of the Five-Year CIP). For a full description and schedule for each project, please see the CIP in Attachment II.

Table 5a-1: Sources of Capital Funds (\$millions)

	Next Biennial Cycle		Following Biennial Cycle		Outyear	Total	Percent
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29		
Port Harbor Fund	\$12.2	15.0	14.8	14.1	13.0	69.1	10%
State Stimulus Fund	11.7	0.0	0.0	0.0	0.0	11.7	2%
South Beach Harbor Fund	1.5	1.6	1.6	1.6	1.6	8.0	1%
Port Capital Expenses	\$25.5	\$16.6	\$16.4	\$15.7	\$14.6	\$88.8	12%
Development Projects	10.2	10.8	11.5	12.2	13.0	57.8	8%
Development Capital Contribution	16.5	0.0	0.0	0.0	0.0	16.5	2%
Total Capital Expenses	\$52.2	\$27.5	\$27.9	\$27.9	\$27.6	\$163.1	23%
General Obligation Bonds	9.2	69.5	226.2	161.3	92.2	558.4	77%
Total Capital Contributions	\$61.4	\$96.9	\$254.1	\$189.3	\$119.8	\$721.5	100%

Table 5a-2: Uses of Capital Funds (\$millions)

	Next Biennial Cycle		Following Biennial Cycle		Outyear	Total
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
<i>Southern</i>						
Pier 70 Shipyard Shoreline and Sediment Remediation	0.5	-	-	-	-	0.5
Pier 70 Shipyard Uplands	1.0	-	-	-	-	1.0
Pier 80 Electrification Design	0.8	-	-	-	-	0.8
Southern Waterfront Beautification Fund	2.2	1.5	1.1	1.1	1.1	7.0
Southern Subtotal	\$4.5	\$1.5			\$1.1	\$9.3
<i>South Beach Harbor (SBH)</i>						
South Beach Harbor	1.5	1.6	1.6	1.6	1.6	8.0
South Beach Harbor (SBH) Subtotal	\$1.5	\$1.6			\$1.6	\$8.0
<i>Northeast</i>						
Beltline Building ADA Access Improvements	2.6	-	-	-	-	2.6
Pier 09 FIRPA Repairs Roof and Roof Deck	3.1	-	-	-	-	3.1
Pier 09 SoGR and EQ Safety Pre-Design Improvements	-	2.7	-	-	-	2.7
Pier 29.5 Office Rehab	0.5	-	-	-	-	0.5
Pier 33 Bulkhead and Shed Repairs	0.9	1.3	-	-	-	2.2
Northeast Subtotal	\$7.1	\$3.9			\$0.0	\$11.1
<i>Fisherman's Wharf</i>						
FW Stormwater Drainage and Sewer Improvement	0.7	-	-	-	-	0.7
Hyde Street Harbor Fuel Pipeline Release	0.0	0.3	0.3	0.3	0.3	1.0
Pier 45 Shed B and D FIRPA 0-1 year Repairs	4.8	-	-	-	-	4.8
Pier 47 Substructure Repairs	0.9	-	-	-	-	0.9
Wharf J-11 Settlement	-	0.8	-	-	-	0.8
Fisherman's Wharf Subtotal	\$6.3	\$1.1			\$0.3	\$8.1
<i>Portwide</i>						
Facility Assessment Program	1.1	0.7	1.1	0.6	1.3	4.8
Maintenance Dredging and Sediment Sampling	-	-	4.9	4.0	4.0	12.9
Pile Repair Crew	-	-	-	0.4	1.0	1.4
Portwide Ownership Project	1.1	0.7	-	-	-	1.7
Project Contingency	1.1	3.3	3.7	4.0	1.6	13.8
Project Management Office *	0.5	0.6	0.6	0.6	0.6	2.9
Stormwater Full Trash Capture	0.5	0.7	0.7	0.7	0.7	3.3
Waterfront Resilience Program (Port)	1.7	2.6	2.5	2.3	2.3	11.4
Portwide Subtotal	\$5.9	\$8.6	\$13.5	\$12.7	\$11.6	\$52.3
Port Capital Expenses Total	\$25.5	\$16.6	\$16.4	\$15.7	\$14.6	\$88.8
<i>Waterfront Development Projects</i>						
Development Projects	10.2	10.8	11.5	12.2	13.0	57.8
Development Capital Contribution	16.5	0.0	0.0	0.0	0.0	16.5
Total Capital Expenses	\$52.2	\$27.5	\$27.9	\$27.9	\$27.6	\$163.1
Waterfront Resilience Program (Bond)	9.2	69.5	226.2	161.3	92.2	558.4
Total Capital Contributions	\$61.4	\$96.9	\$254.1	\$189.3	\$119.8	\$721.5

5b. Southern Waterfront Beautification Fund

The Southern Waterfront Beautification Fund is a set aside of rent generated in the Southern Waterfront to provide resources to reinvest in that community. Due to staff error, no funds were set aside in FY 2018-19 or FY 2019-20, and a significant past due balance of \$6.25 million accrued. The Port has been paying down that balance since FY 2020-21 and, as shown in Table 5b-1 below, this past due amount will be paid off in FY 2025-26 by the proposed budget.

Table 5b-1: Southern Waterfront Beautification Fund Past Due Balance (\$thousands)

SW Beautification Fund Overview of Amounts Due and Paid to Fund ^a		Actuals	Actuals	Actuals	Estimated	Biennial Cycle	
		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Estimated FY 2024-25	Estimated FY 2025-26
Amount Due	Past Due from Prior Year	\$ 6,254,049	5,261.3	4,146.1	2,908.3	1,555.3	397.3
	Due from Current Yr Rent	\$ 1,007,207	884.8	984.2	869.0	1,042.0	1,073.0
	Total Due	\$ 7,261,256	6,146.1	5,130.3	3,777.3	2,597.3	1,470.3
- Amount Paid	Rent Paid	\$ 1,007,207	884.8	984.2	869.0	1,042.1	1,073.0
	Transbay Cable Paid	\$ -	-	-	-	-	-
	Past Due Paid	\$ 992,793	1,115.2	1,237.8	1,353.0	1,157.9	397.3
	Total Paid	\$ 2,000,000	2,000.0	2,222.0	2,222.0	2,200.0	1,470.3
= Past Due Amount		\$ 5,261,256	4,146.1	2,908.3	1,555.3	397.3	-

Expenditures from the fund are not shown in the table above. Planned expenditures were presented to the Commission at the January 23, 2024 meeting under [Item 11A](#).

5c. Waterfront Resilience Program

The Waterfront Resilience Program (WRP) is a major effort to improve the Port’s 7.5-mile Embarcadero shoreline to provide increased resilience to earthquakes and sea-level rise. WRP has made significant progress and is currently advancing work on two fronts.

1. Early Embarcadero Projects: Port staff has identified 29 potential projects to address immediate life safety needs along the waterfront and is working to select 5-10 projects to advance into the design phase.
2. USACE Resilience: Port staff has partnered with the United States Army Corps of Engineers (USACE) to develop a long-term sea-level rise adaptation strategy. Details of WRP’s work with USACE are provided in a separate item on the February 6, 2024 Port Commission agenda.

The CIP shown in Table 5a-2 above includes a total of \$569.8 million for WRP costs including \$11.4 million from Port funds and \$558.4 million from General Obligation Bonds. This funding is based on current cost estimates that are highly uncertain given the early status of the program and are likely to change significantly as our work with USACE advances and specific projects move into higher levels of design completion.

Table 5c.-1 below shows the financial status of the project as of December 31, 2023.

Table 5c-1: WRP Financial Status (\$thousands)

	Approved Budget	Forecasted Budget	Appropriated Budget	Spent / Encumbered	Pending Transactions	Remaining Balance	Planned Appropriations
Program Management	27,160	123,896	30,000	22,604	4,356	3,040	93,896
Communications & Engagement	3,300	8,566	7,000	6,276	605	119	1,566
Planning	24,380	31,845	31,000	25,850	2,113	3,037	845
Embarcadero Early Projects							
Preliminary Design	20,700	10,000	9,500	6,390	3,496	(386)	500
Detailed Design	48,140	45,000	15,000			15,000	30,000
Construction / Construction Management	367,920	442,000				-	442,000
USACE Resilience	8,400	10,000	9,000	6,787	27	2,186	1,000
Total	500,000	671,307	101,500	67,907	10,597	22,996	569,807

Funding sources for WRP over the CIP period include Port funds, which are appropriated in biennial budget cycles, and General Obligation Bonds, which are appropriated at the time of

bond issuance approval. Therefore, only the Port's contribution to WRP is included in the proposed biennial budget for FY 2024-25 and FY 2025-26.

The proposed budget also includes the following capital positions, which are funded by the overall WRP budget and do not impact Port operating expenses:

- New 0933 Manager V will serve as Permitting Director for the Waterfront Resilience Program.
- A downward substitution from a 5211 Engineer/Architect/Landscape Architect Senior and an upward substitution from a 5218 Structural Engineer for two 5504 Project Manager II positions needed to advance individual projects.

6. REQUIRED RESERVES

The Port Commission has adopted two policies relevant to the proposed budget:

1. Capital investment must equal or exceed 25% of operating revenues, and
2. Operating reserves must equal or exceed 50% of operating expenses.

As a result of the economic crisis caused by the COVID-19 pandemic and the compression of net operating income available for capital investment illustrated in Figure 2b-1, the proposed FY 2024-25 and FY 2025-26 budget fails the 25% investment requirement, with 15% investment averaged across both years of the biennial budget (including redirected stimulus funding). Finance staff is analyzing the current utility of this policy and may have recommendations for changes when we return next year with the 10-year capital plan.

Port Commission policy also requires that the Port maintain an operating reserve of at least 50% of annual expenses. Fund balance, which serves as the Port's operating reserve is estimated to have \$161.2 million at the beginning of the biennial budget period, or approximately 125% of annual operating expenses of \$128.2 million in FY 2025-26.

7. CONCLUSION

While revenues have rebounded to pre-pandemic levels, the financial pressures created by the COVID-19 pandemic are substantial and ongoing. The proposed biennial budget and CIP reflect those pressures but still provide for mission-critical services and targeted investments in economic recovery, equity, and resilience.

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Attachments: I. Position Changes
II. Five-year Capital Improvement Program
III. Capital Financial Status Report as of December 31, 2023