

**Annual Report
For
Fiscal Year Ended June 30, 2023**



Port Commission of the City and County of San Francisco

Issued: March 29, 2024

Table of Contents

| | | |
|-------|--|----|
| I. | Introduction | 1 |
| II. | Port Revenue Bonds | 1 |
| III. | Other Non-Reportable Obligations | 2 |
| IV. | Port of San Francisco, Debt Service Coverage | 3 |
| V. | Major Port Operating Revenues | 4 |
| VI. | Port of San Francisco Top Ten Tenants and Customers | 5 |
| VII. | Port of San Francisco Real Estate Leases, Remaining Lease Terms | 6 |
| VIII. | Port of San Francisco Real Estate Top Ten Tenants and Customers | 7 |
| IX. | Port of San Francisco Historical Results of Operations | 8 |
| X. | Port of San Francisco Historical Operations and Maintenance Expenses | 9 |
| XI. | Audited Financial Statements of the Port Commission, City & County of San Francisco for the Fiscal Year Ended June 30, 2021 | 10 |
| XII. | Significant Events | 10 |
| XIII. | Other Matters | 10 |

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, 2023 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").

| <u>Continuing Disclosure Certificate</u> | <u>Issue Name</u> | <u>Original Par Amount</u> | <u>Outstanding Par Amount</u> |
|--|--|----------------------------|-------------------------------|
| May 29, 2014 | Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A (AMT Tax-Exempt) | \$19,880,000 | \$18,335,000 |
| 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 | \$9,270,000 |

Series 2014A Bonds (AMT Tax-Exempt)

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>CUSIP No.</u> |
|----------------------|-------------------------|------------------|
| 3/1/2024 | 540,000 | 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 |
| | \$18,335,000 | |

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

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>CUSIP No.</u> |
|----------------------|-------------------------|------------------|
| 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> |
|----------------------|-------------------------|------------------|
| 3/1/2024 | \$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 |
| | \$9,270,000 | |

Contacts

Issuer: Nate Cruz
Deputy Director of Finance and Administration
Finance Department
Port of San Francisco
Pier 1
San Francisco, CA 94111
Telephone: (415) 274-0442
Fax: (415) 274-0630
e-mail: nate.cruz@sfport.com

Trustee (updated, see Section XII):

Andrew Fung
Vice President
Corporate Trust Services
U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, CA 94111
Telephone: (415) 677-3593
Fax: (415) 677-3769
e-mail: andrew.fung@usbank.com

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 | \$24,765,000 | 2043 |
| California Division of Boating & Waterways Loan | \$3,500,000 | \$1,017,394 | 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, 2023 (Amounts in Thousands) | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Revenues ¹ | | | | | |
| Maritime | \$23,186 | \$21,547 | \$15,147 | \$20,867 | \$30,175 |
| Real Estate & Asset Management | 92,217 | 74,151 | 68,944 | 87,265 | 87,573 |
| Interest Income ² | 4,153 | 3,958 | 2,299 | 2,779 | 8,776 |
| Other Revenue | 5,807 | 7,908 | 4,672 | 7,772 | 9,620 |
| Total Revenues | <u>\$125,363</u> | <u>\$107,564</u> | <u>\$91,060</u> | <u>\$118,684</u> | <u>\$136,144</u> |
| Operating Expenses ¹ | | | | | |
| Operations & Maintenance ³ | 86,449 | 93,031 | 100,286 | 72,100 | 75,516 |
| Total Operating Expenses | <u>\$86,449</u> | <u>\$93,031</u> | <u>\$100,286</u> | <u>\$72,100</u> | <u>\$75,516</u> |
| Net Revenues | \$38,924 | \$14,533 | (\$9,226) | \$46,584 | \$60,628 |
| Debt Service on Bonds ⁴ | \$4,177 | \$4,173 | \$3,275 | \$3,274 | \$3,274 |
| Net Revenue Coverage on Bonds ⁴ (times) | 9.23 | 3.48 | - | 14.23 | 18.52 |
| Debt Service on Subordinate Obligations ⁵ | \$2,965 | \$2,962 | \$2,967 | \$2,963 | \$2,966 |
| Net Revenue Coverage on Bonds and Subordinate Obligations ⁵ (times) | 5.45 | 2.04 | - | 7.47 | 9.72 |
| 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. 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). The FY2022 numbers have been restated in this report to account for the implementation of GASB 87 in that year. As a result, the net coverage on bonds decreased slightly from the 14.96 previously reported to the 14.23 reported for FY2022 in this report. | | | | | |
| 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. | | | | | |
| <i>Source: Port of San Francisco</i> | | | | | |

V. Major Port Operating Revenues

| PORT OF SAN FRANCISCO | | | | | |
|---|---------------------------------|-------------|-----------------------------|-------------|--|
| Major Port Operating Revenues ¹ | | | | | |
| Fiscal Year ending June 30, 2023 | | | | | |
| | Annualized Revenue ² | | Square Footage ³ | | |
| | Amount | Percent | Amount | Percent | |
| Real Estate | | | | | |
| Industrial | \$ 25,341,469 | 22% | 5,181,816 | 18% | |
| Development | \$ 24,333,854 | 21% | 4,737,181 | 16% | |
| Restaurant & Retail | \$ 9,471,204 | 8% | 443,995 | 2% | |
| Parking ⁴ | \$ 15,272,597 | 13% | 1,586,828 | 5% | |
| Office | \$ 9,260,314 | 8% | 283,234 | 1% | |
| Subtotal Real Estate | \$ 83,679,439 | 72% | 12,233,054 | 42% | |
| Maritime ⁵ | | | | | |
| Cargo | \$ 9,169,134 | 8% | 4,668,813 | 16% | |
| Commercial Fishing | \$ 2,873,176 | 2% | 213,202 | 1% | |
| Harbor Services | \$ 2,336,334 | 2% | 367,926 | 1% | |
| Passenger Cruise ⁶ | \$ 10,480,004 | 9% | 595,807 | 2% | |
| Various Maritime ⁷ | \$ 8,489,021 | 7% | 10,947,892 | 38% | |
| Subtotal Maritime | \$ 33,347,669 | 28% | 16,793,640 | 58% | |
| Total | \$ 117,027,108 | 100% | 29,026,694 | 100% | |

¹ Includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Excludes revenues from miscellaneous sources, development cost recoveries, or nonrecurring rent credits/adjustments.

² Based on projected lease rents as of July 2023 Beginning of Month Rent Roll and Fiscal Year 2023 actual percentage rents in excess of base rent amounts.

³ Includes all active agreement leaseholds even if no associated bill rules exist. 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 Excludes revenues from MTA parking meters and citations; however, includes revenues from parking stall agreements which are not included on the rent roll.

⁵ Includes traditional user fees within the maritime industry, such as wharfage, dockage, and demurrage.

⁶ In FY 2023, 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.

⁷ Includes revenues generated from ferry excursion operators along with their associated leased areas. Excursion revenue was previously reported under Real Estate, but starting in 2023, was reclassified to Maritime to more accurately reflect the nature of the tenant operation.

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, 2023 (Revenue in Thousands) | | | | | |
| Customer/Tenant Name | Revenue ² | Percent of Top 10 Revenue | Primary Use | Expiration ³ | |
| 1 Princess Cruises | \$6,402 | 15.67% | Passenger Cruise | N/A ⁴ | |
| 2 Recology San Francisco | \$5,459 | 13.36% | Industrial | 7/31/2023 | |
| 3 SP Plus-Hyde Parking Joint Venture | \$4,948 | 12.12% | Parking | 5/31/2022 ⁵ | |
| 4 SFCC PUC Public Utilities Commission | \$4,129 | 10.11% | Utility Infrastructure | 3/27/2084 | |
| 5 Historic Pier 70, LLC | \$3,882 | 9.51% | Office/Retail | 7/28/2081 | |
| 6 Seawall Lot 337 Associates, LLC | \$3,551 | 8.69% | Mixed Use | 8/14/2049 | |
| 7 China Basin Ballpark Company LLC | \$3,545 | 8.68% | Recreation/Visitor Attraction | 8/14/2028 | |
| 8 Pier 39 Limited Partnership | \$3,520 | 8.62% | Recreation/Visitor Attraction | 12/31/2042 | |
| 9 JPPF Waterfront Plaza, L.P. | \$2,924 | 7.16% | Office/Mixed Use | 6/27/2040 | |
| 10 Alcatraz Cruises, LLC | \$2,482 | 6.08% | Excursion | 6/30/2049 | |
| | \$40,844 | 100.00% | | | |

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

² Based on projected lease rents as of July 2023 Beginning of Month Rent Roll and Fiscal Year 2023 actual percentage rents in excess of base rent amounts. Includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Excludes revenues from miscellaneous sources, development cost recoveries, or nonrecurring rent credits/adjustments.

³ The latest expiration date is reported if multiple agreements exist.

⁴ Cruise calls are not subject to traditional leases.

⁵ On holdover as steps are taken to restructure Portwide parking operations.

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 | 239 | 54% | \$ 22,985,285 | 27% |
| Remaining Term: ⁴ | | | | |
| Less than One Year | 49 | 11% | \$ 13,252,603 | 16% |
| One to Five Years | 89 | 20% | \$ 11,244,194 | 13% |
| Five to Ten Years | 9 | 2% | \$ 3,725,715 | 4% |
| Ten to Twenty Years | 29 | 7% | \$ 15,184,245 | 18% |
| Twenty to Thirty Years | 10 | 2% | \$ 7,542,675 | 9% |
| Over Thirty Years | 19 | 4% | \$ 9,744,723 | 12% |
| Total | 444 | 100% | \$ 83,679,439 | 100% |
| <p>¹ Includes Real Estate leases only. Individual parking stall agreements and other agreements in non-bill status are not counted.</p> <p>² Based on projected lease rents as of July 2023 Beginning of Month Rent Roll and Fiscal Year 2023 actual percentage rents in excess of base rent amounts. Includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Excludes revenues from miscellaneous sources, development cost recoveries, or nonrecurring rent credits/adjustments. 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, 2023</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 Revenue ¹ | | | | | |
| Fiscal Year ending June 30, 2023 (Revenue in Thousands) | | | | | |
| Customer/Tenant Name | Revenue ² | Percent of Top 10 Revenue | Primary Use | Expiration ³ | |
| 1 Recology San Francisco | \$5,459 | 15.61% | Industrial | 7/31/2023 | |
| 2 SP Plus-Hyde Parking Joint Venture | \$4,948 | 14.15% | Parking | 5/31/2022 ⁴ | |
| 3 Historic Pier 70, LLC | \$3,882 | 11.11% | Office/Retail | 7/28/2081 | |
| 4 Seawall Lot 337 Associates, LLC | \$3,551 | 10.16% | Mixed Use | 8/14/2049 | |
| 5 China Basin Ballpark Company LLC | \$3,545 | 10.14% | Recreation/Visitor Attraction | 8/14/2028 | |
| 6 Pier 39 Limited Partnership | \$3,520 | 10.07% | Recreation/Visitor Attraction | 12/31/2042 | |
| 7 JPPF Waterfront Plaza, L.P. | \$2,924 | 8.37% | Office/Mixed Use | 6/27/2040 | |
| 8 AMB Pier One, LLC | \$2,396 | 6.85% | Office | 8/1/2049 | |
| 9 SFCC PUC Public Utilities Commission | \$2,389 | 6.83% | Utility Infrastructure | 3/27/2084 | |
| 10 Hudson One Ferry Operating L.P. | \$2,345 | 6.71% | Mixed Use | 4/9/2067 | |
| | \$34,959 | 100.00% | | | |

¹ Table only includes revenues categorized as Real Estate.

² Based on projected lease rents as of July 2023 Beginning of Month Rent Roll and Fiscal Year 2023 actual percentage rents in excess of base rent amounts. Includes revenues derived from tenancy and operating agreements, meaning the figures reflect rent due per the lease terms, not necessarily rent paid. Excludes revenues from miscellaneous sources, development cost recoveries, or nonrecurring rent credits/adjustments.

³ The latest expiration date is reported if multiple agreements exist.

⁴ On holdover as steps are taken to restructure Portwide parking operations.

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, 2023 (Amounts in Thousands) | | | | | |
| | Unaudited¹ | Audited | Audited³ | Audited | Audited |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating Revenues: | | | | | |
| Maritime | | | | | |
| Cargo | \$7,844 | \$8,861 | \$8,186 | \$6,875 | \$7,028 |
| Ship Repair | 0 | 0 | 0 | 0 | 0 |
| Harbor Services | 1,894 | 2,041 | 2,123 | 1,880 | 2,537 |
| Cruise | 7,947 | 5,227 | 292 | 5,248 | 10,382 |
| Fishing | 2,273 | 2,218 | 1,383 | 2,407 | 2,559 |
| Other Marine | 2,521 | 2,845 | 3,084 | 3,183 | 5,721 |
| Miscellaneous ² | <u>707</u> | <u>355</u> | <u>79</u> | <u>1,275</u> | <u>1,948</u> |
| Total Maritime | \$23,186 | \$21,547 | \$15,147 | \$20,867 | \$30,175 |
| Real Estate & Asset Management | | | | | |
| Commercial/Industrial | \$60,015 | \$55,617 | \$59,039 | \$66,649 | \$66,288 |
| Parking | 21,770 | 18,418 | 9,898 | 20,516 | 21,160 |
| Filming & Special Event Revenue | 103 | 114 | 7 | 100 | 126 |
| Miscellaneous | <u>10,328</u> | <u>2</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Real Estate & Asset Management | \$92,216 | \$74,151 | \$68,944 | \$87,265 | \$87,573 |
| Other Operating Revenues | \$5,760 | \$7,450 | \$5,047 | \$7,747 | \$5,487 |
| Total Operating Revenues | \$121,162 | \$103,148 | \$89,137 | \$115,880 | \$123,235 |
| Operating Expenses | | | | | |
| Operations & Maintenance ² | \$86,890 | \$89,544 | \$112,285 | \$56,513 | \$64,241 |
| Depreciation & Amortization | 24,466 | 25,528 | 22,628 | 22,431 | 24,415 |
| Non-Revenue Funded O&M ⁴ | | | | <u>23,057</u> | <u>30,731</u> |
| Total Operating Expenses | \$111,356 | \$115,072 | \$134,913 | \$102,001 | \$119,387 |
| Operating Income/(Loss) | \$9,806 | (\$11,924) | (\$45,776) | \$13,879 | \$3,848 |
| Other Income & (Expenses) | | | | | |
| Interest & Investment Income | \$6,189 | \$5,306 | \$598 | \$6,900 | \$13,821 |
| Interest Expense | (4,288) | (3,797) | (2,800) | (4,466) | (4,302) |
| Gain/(Loss) on Disposal of Assets | (174) | 15 | 5 | 4 | 1 |
| Other | <u>(3,169)</u> | <u>4,916</u> | <u>16,771</u> | <u>14,098</u> | <u>25,334</u> |
| Total Other Income/(Expense) Net | (\$1,442) | \$6,440 | \$14,573 | \$16,536 | \$34,853 |
| Contribution | \$8,364 | (\$5,484) | (\$31,202) | \$30,414 | \$38,701 |
| Capital Grants and Other Contributions | <u>\$1,909</u> | <u>\$43,895</u> | <u>\$2,259</u> | <u>\$4,252</u> | <u>\$39,369</u> |
| Change in Net Position | <u>\$10,273</u> | <u>\$38,411</u> | <u>(\$28,943)</u> | <u>\$34,666</u> | <u>\$78,069</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> <p>⁴ Per Indenture definitions, GO Bond and State Stimulus funded costs are excluded from Expenses. These costs are backed out of the O&M Subtotal in Tables IV and X to satisfy the Indenture, but included in Table IX above to align to the Port's Annual Financial Statement results.</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, 2023 | | | | | |
| (Amounts in Thousands) | | | | | |
| | Unaudited¹ | Audited | Audited⁵ | Audited | Audited |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operations & Maintenance | | | | | |
| Personnel Expense ² | \$38,179 | \$43,471 | \$45,028 | \$41,567 | \$44,629 |
| City-Wide Overhead | 379 | 849 | 2,740 | 1,625 | 627 |
| Other Current Expenses | 4,726 | 6,135 | 1,197 | 1,283 | 1,907 |
| Professional & Specialized Services | 16,950 | 15,463 | 22,578 | 17,534 | 20,984 |
| Utility Expenses | 2,908 | 2,591 | 2,107 | 3,554 | 4,714 |
| Materials & Supplies | 1,331 | 1,589 | 963 | 1,104 | 1,046 |
| Judgments, Claims & Litigation | 30 | 1 | 332 | (270) | 340 |
| Office Rent ³ | 2,736 | 2,748 | 2,951 | 3,369 | 4,140 |
| Charges for Use of City Services | 18,666 | 19,803 | 22,125 | 25,321 | 27,584 |
| Other Operating & Maint. Exp. (net) | 544 | 381 | 266 | 69 | 276 |
| Less Non-Revenue Funded O&M ⁶ | | | | (23,057) | (30,731) |
| Operations & Maint. Exp. - Subtotal ³ | \$86,449 | \$93,031 | \$100,286 | \$72,100 | \$75,516 |
| Non-cash adjustments for: | | | | | |
| (i) pensions pursuant to GASB 68 | (667) | (2,392) | 3,730 | (16,423) | (7,107) |
| (ii) estimated cost for pollution remediation for the Pier 70 area. | 1,105 | (1,207) | 7,388 | (648) | 1,243 |
| (iii) Other Post Employment Benefits (OPEB) | 3 | 112 | 881 | 3,877 | (2,253) |
| (iv) GASB 87 - Lessee Contract Expense | | | | (2,393) | (3,158) |
| Total Operations & Maintenance Exp. | \$86,890 | \$89,544 | \$112,285 | \$56,513 | \$64,241 |
| <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 The reported expenses excludes charges and credits associated with non-cash adjustments related to accounting and reporting of OPEB and pension obligations.</p> <p>³ GASB 87 was implemented for the first time in 2022, as a result, Office Rent of \$976 reported for FY2022 was adjusted to \$3,369 and the Subtotal for O&M reported for last year, \$69,706, was adjusted to \$72,100. A non-cash adjustment line was also added to the report to account for GASB 87. The Total O&M Exp for FY2022 remains unchanged from what was reported last year.</p> <p>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.</p> <p>⁵ FY2021 Expenses were corrected to align calculation methodology to prior years and Table IV.</p> <p>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. In FY2023, those numbers were \$13.2m and \$17.5m, respectively.</p> | | | | | |
| <i>Source: Port of San Francisco</i> | | | | | |

XI. Audited Financial Statements of the Port Enterprise, City and County of San Francisco for the Fiscal Year Ended June 30, 2023.

For the Port's Audited Financial Statements for fiscal year ended June 30, 2023, please go to the link titled "2023 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, 2023 (the date of issuance of the June 30, 2022 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.

COVID Recovery Stimulus

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. The State in turn granted \$117 million in state funds, through three separate actions through the State Lands Commission, the Port of San Francisco to offset revenue losses sustained in calendar years 2020 and 2021. The Port is using these State 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 \$19.3 million in FY2023.

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 starting in FY 2022 only.

Transfer of South Beach Harbor

On May 1, 2019, the Port received South Beach Harbor (SBH) operations from the Office of Community Investment and Infrastructure (OCII), successor agency to the Redevelopment Agency, along with 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 the 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 6 of the Port's audited financial statements for fiscal year ending June 30, 2023.

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 that 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 that 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 (TCO) in January 2023 and tenant improvement is underway with occupancy slated to occur in early 2024, Parcel A received its TCO and welcomed its first residents in June 2023, Parcel B received its TCO and is currently available for lease, and Parcel F is anticipating its TCO in mid-2024. The developer submitted the Phase 2 project application to the Port in December 2022 and, along with the Port, are monitoring market and financing conditions to assess a feasible second phase.

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 and 2023. 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 and in calendar year 2023 it issued \$45.895 million for tax-exempt 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 (WRP) 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 was up to \$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.

Flood Study: The Port and USACE are examining flood risk along San Francisco’s 7.5-mile waterfront for the study period of 2040 through 2140. The Flood Study received waivers, increasing the study duration from three years with a budget of \$3 million to seven years and two months with a budget of \$16 million. The Flood Study costs are a 50/50 cost share with the USACE, with the Port’s matching contribution totaling \$8 million. The Flood Study will culminate in a recommendation to Congress regarding additional federal funding to design and construct a system of coastal flood defenses along the Port’s jurisdiction to defend the entire 7.5-mile waterfront and inland areas from coastal flooding. The Port achieved a significant milestone in January of 2024 with the public release of a draft Integrated Feasibility Report and Environmental Impact Statement with a Tentatively Selected Plan to reduce coastal and combined flood risk in the Study area. Notably, the Port expects to achieve the USACE

Agency Decision Milestone, which represents the USACE endorsement of a plan that can be recommended to Congress in 2026.

Embarcadero Early Projects: The WRP includes Proposition A (2018), the \$425 million Seawall Earthquake Safety Bond. Proposition A is a down payment for the multi-generational and multi-billion-dollar project to improve the City and the Port assets and infrastructure along the Embarcadero Seawall for greater resilience in the face of earthquakes, floods, sea-level rise, and climate hazards. It will focus on making improvements to protect life safety, support regional disaster response and recovery efforts, and help protect the historic waterfront. In December 2021, the Port identified 23 Embarcadero Early Projects to reduce life-safety risk, improve disaster response and reduce early flood risk, with a total projected cost of \$650 million to \$3 billion. The WRP team has advanced the first seven Embarcadero Early Projects through the first step of predesign and is now advancing these projects through Alternatives Analysis that will identify a preferred alternative for each project. The WRP will use Proposition A and other early program funding to implement the most immediate life-safety upgrades to the Embarcadero Seawall at select locations and plan for additional work to ensure a resilient waterfront for 2100 and beyond. The Waterfront Resilience Program team is also advancing one Southern Waterfront Early Project through predesign to improve the seismic performance of Pier 50, home to the Port's Maintenance Division using Port Capital funding.

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 in June 2023 (2024-2033 Capital Plan), identifies \$2.24 billion in total capital need and \$1.90 billion in planned capital enhancements for a total of \$4.143 billion. Shown below, for comparison purposes, are capital improvement totals from the 2019 update:

| <u>Type of Improvement</u> | <u>(\$millions)</u> | |
|---|---------------------|--------------------|
| | <u>2021 Update</u> | <u>2023 Update</u> |
| Needed to maintain a state of good repair | \$1,994.0 | \$2,241.1 |
| Planned enhancements | | |
| Seawall Program | \$592.9 | \$89.0 |
| Conditional seismic work | 605.0 | 641.8 |
| <u>Other enhancements</u> | <u>733.1</u> | <u>670.06</u> |
| Enhancements - Subtotal | 1,931.0 | \$1,901.5 |
| Total | \$3,925.0 | \$4,142.6 |

The Port's \$2.24 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 2023 capital plan update reflects a \$247.1 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 \$1.90 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 \$1.84 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, \$386.0 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 \$2.307 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.

In February of 2024, the Port Commission approved a two-year capital budget for Fiscal Years 2024-25 and 2025-26 that included \$41.9 million in capital investments.

More details can be found in the complete 2023 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

DocuSigned by:

9A5C9F3872AC445...

Nate Cruz
Deputy Director, Finance and Administration