



SAN FRANCISCO PORT COMMISSION

**February 6, 2024
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

**HON. KIMBERLY BRANDON, PRESIDENT
HON. GAIL GILMAN, VICE PRESIDENT
HON. WILLIE ADAMS, COMMISSIONER
HON. ED HARRINGTON, COMMISSIONER
HON. STEVEN LEE, COMMISSIONER**

**ELAINE FORBES, EXECUTIVE DIRECTOR
JENICA LIU, COMMISSION AFFAIRS MANAGER**

CITY & COUNTY OF SAN FRANCISCO

PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 6, 2024

1. CALL TO ORDER / ROLL CALL / RAMAYTUSH OHLONE LAND ACKNOWLEDGEMENT

Port Commission President Kimberly Brandon called the meeting to order at 2:30 p.m. The following Commissioners were present: Kimberly Brandon, Gail Gilman, Steven Lee, and Ed Harrington. Commissioner Willie Adams was absent.

The Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgment.

2. APPROVAL OF MINUTES – January 23, 2024

ACTION: Vice President Gilman moved approval of the minutes. Commissioner Lee seconded the motion. The minutes were approved unanimously.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

No Public Comment on Executive Session.

4. EXECUTIVE SESSION

A. Vote on whether to hold a closed session and to invoke the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

ACTION: Vice President Gilman moved to go into closed session. Commissioner Lee seconded the motion. The motion passed unanimously.

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Item)

- (a) Property: Pier 31 (Lease L-16274)
Person Negotiating: Port: Scott Landsittel, Deputy Director of Real Estate and Development
Negotiating Parties: Claire Mooney, Vice President, Golden Gate National Parks Conservancy (Conservancy)
Under Negotiation: Price Terms of Payment Both

The Port and Conservancy are negotiating a potential amendment to the subject lease to address rent obligations of the Conservancy. In this executive session, the Port's negotiators seek direction from the Port Commission on factors affecting the price and terms of payment, including price structure and other factors affecting the form, manner and timing of payment of the consideration for the potential amendment. The executive session discussions will enhance the capacity of the Port Commission during the public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and People of the State of California.

Present: President Kimberly Brandon
 Vice President Gail Gilman
 Commissioner Ed Harrington
 Commissioner Steven Lee

Also present: Elaine Forbes, Port Director
 Michael Martin, Assistant Port Director
 Jenica Liu, Commission Affairs Manager
 Scott Landsittel, Deputy Director, Real Estate &
 Development
 Kimberley Beal, Assistant Deputy Director, Real
 Estate and Development
 Sandra Oberle, Senior Property Manager
 Michelle Sexton, General Counsel

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

No Report.

- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

ACTION: Vice President Gilman moved to reconvene in open session without disclosing closed session discussions. Commissioner Lee seconded the motion. The motion passed unanimously.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person responsible for the ringing of or use of a cell phone or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make public comments on each agenda item unless the Port Commission adopts a shorter period on any item. Public comment must be in respect to the current agenda item. For in-person public comment, please fill out a speaker card and hand it to the Port Commission Affairs Manager. For remote public comment, instructions are on the first page of this agenda. During public comment, dial *3 to be added to the queue. An audio prompt will signal when it is your turn to speak.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction that is not an agenda item. No Port Commission action can be taken on any matter raised other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

No Public Comment on Items Not Listed on the Agenda.

9. EXECUTIVE

A. Executive Director's Report

- **Economic Recovery**
- **Equity**
- **Key Project Updates**

Director Forbes: Good afternoon, President Brandon, Vice President Gilman, members of the commission, Port staff and members of the public. I am Elaine Forbes, the director of the Port of San Francisco.

To economic recovery, at our last meeting, you heard about targeted investments that we will be making in the southern waterfront and in Fisherman's Wharf to spur economic growth. Today, Port CFO Nate Cruz will present our proposed budget for the next two years.

As you know, the pandemic had really unprecedented challenge for the Port. And we met this challenge with very difficult spending cuts, with successful pursuit of stimulus and with use of our fund balance or our savings account. Now, we're back to pre-pandemic revenues. And we also have strong fund balance.

But our long-standing challenge to tackle deferred maintenance remains. This challenge coupled with citywide uncertainty around the downtown office market and the struggle some of our tenants continue to face means we must be judicious and targeted with our finite resources.

The budget you'll see from our CFO is lean. But it targets investments that are strategic for us and will improve our operations including: a change to how we manage our parking lots, which is anticipated to increase our revenues 50 percent; a new approach to security, which we'll discuss shifting away from our reliance on contractors to new Port security guards, expanding our partnership with the SFPD and really leveraging technology.

This new method will improve safety and security of our waterfront. We're also making a major investment in race equity with the addition of four new assistant superintendent positions in the maintenance division.

This will establish a promotive pathway into management for our staff in the trades and will make more efficient the deployment of resources, so jobs are easier to do and which should also improve the waterfront with this investment. So you'll see today, when you hear the budget, that we're really aiming our resources at our clean-and-safe waterfront, which continues to be our top priority.

To resilience -- we have a big year ahead for resilience. And we've already had a big milestone. Last month, the Army Corps of Engineers and the waterfront resilience program published a draft plan to defend our seven-and-a-half miles of waterfront against sea-level rise.

After six years of intense analysis and investigation, the Army Corps and Port staff have completed a plan of solutions. And the solutions are tailor-made to the varying conditions along the shoreline. On Friday, January 26th, the Port and the U.S. Army Corps of Engineers hosted a press conference to announce the draft plan.

Speaker Emerita Nancy Pelosi, our Mayor London Breed, Lieutenant Governor Eleni Kounalakis, South Pacific division commander, uh, Colonel James Handura, State Senator Scott Wiener, Board President Aaron Peskin, City Administrator Carmen Chu and Vice President Gail Gilman joined to give remarks on the significance of the milestone.

All expressed their support and reaffirmed their commitment to advancing this work. It was a really great press conference for us. And we had two featured articles in the SF Chronicle. Congratulations to the comms team and Port staff on the resilience team for pulling that event off.

Getting the word out is so important for the public's engagement on this transformational project. With the release of the plan, public comment period is open. And that will be until March 29. We have a big, robust community

engagement plan which includes four community meetings across town, walking tours on the waterfront, Webinars, social media campaign and a road show for community-based organizations across the city.

I am hopeful that our partnership with the Army Corps will result in construction projects that make our waterfront safe and resilient and keep a really beautiful public waterfront as well. Much, much work is ahead. We are in the long game with this project. And we look forward to briefing you today on the study and the results.

Turning to equity, I'm delighted to share details about our upcoming trades career fair, a significant initiative aimed at introducing high school students and transitioning youth to the vast opportunities that are in the trades. Skilled-trade experts including carpenters, machinists, ironworkers, plumbers, electricians, roofers and more will deliver insight and engaging presentations at the fair.

Also, the Department of Human Resources, other city departments, unions and community organizations will join us. Our program seeks to provide a comprehensive understanding of apprenticeship programs, their requirements and benefits and enrollment schedules.

Representatives from these organizations will be present to answer questions and offer invaluable insights to the youth. The program will also emphasize the broader impact of construction and the trades and how important infrastructure and projects are to the wellbeing of our community.

In addition, the trades offer a pathway to economic stability and career growth. We are confident that the program will be very informative and helpful to our young people and encourage a new generation to consider the trades as meaningful, impactful career options. And we have positions opened at the Port too.

I appreciate your support as we strive to make lasting differences in the lives of our youth and the development of the community. We are also continuing to support local small BIPOC-owned businesses at the Foodwise Pop-Up on the Plaza in partnership with the San Francisco Human Rights Commission Dream Keeper Initiative.

Pop-Ups on the Plaza is a series of events celebrating black -- Bay Area black entrepreneurs. The successful event series has expanded from four to six events this year that now include crafts beginning with the upcoming Pop-Up on the Plaza, Black Creators Craft Market on Saturday, February 17, 9:00 to 2:00. This will be at the south plaza in front of the Ferry Building. I urge you to mark your calendars. I promise you you will not regret it if you come.

To key projects, I'm happy to announce we have a conceptual design for the playground going into Crane Cove Park. San Francisco Parks Alliance has

successfully completed 95 percent of the design. We expect the park to be opened in 2025. And I can't wait for even more kids to come to that fantastic park.

We also have other good news. The Port has received an accept-and-expend approval on our PIDP, Port's infrastructure development program, MARAD grant in January. This will allow us to advertise for Amador Street in March of 2024. So we're very excited to see that project in.

Obviously, this project will provide better connectivity for our trucking industry, will improve air quality for our southern waterfront residents and will bring more jobs to the area. And it's the first ever federal infrastructure fund that the Port will have received.

In closing, on February 2nd, early in the morning at 5:49 at Beach and Hyde Street, less than a block from our property, Andrew Cotter, a South End Rowing member -- he was attacked, and his car was hijacked. He was on his way for a morning swim.

The San Francisco Police Department has done remarkable work to identify some suspects. And they, along with the fire department, took very good care of Mr. Cotter at the scene. Staff would like to send him a message for his full and speedy recovery and for his wellbeing.

Thank you, commissioners, for your steadfast leadership and guidance on our strategic plan and for ensuring our economic recovery, equity and resilience. That concludes my report.

President Brandon: Thank you. Is there any public comment on the executive director's report? Seeing none. Do we have anyone on the phone?

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Lee: Great report as usual, Director. 2024 is looking up. Boy, all this information about infrastructure and -- it's going to be a big challenge. But you know, we're doing it.

And I'm just looking forward to the rest of the year for more of the small-business recovery. It seems to be working. Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you again. Good report. Thank you for the intros to the budget and the Army Corps -- discussing that today. It occurred to

me when you're talking about the career fair whether you have any kind of regional or statewide kind of organizations that can do this together.

They started a thing for water and wastewater agencies called Baywork. And it is all the Bay Area water and wastewater agencies came together. We worked out career paths with high schools and community colleges. So somebody could say, if I want to be a sanitary engineer, I start here. And I can get there.

And it has websites. It has all kinds of stuff. You might want to look at that as a model whether we can work with Oakland and others to kind of see how we can do this. And community colleges love this kind of work where they can kind of do career paths for people. So I urge you to look at that. Thank you.

President Brandon: Great suggestion. Vice President Gilman?

Vice President Gilman: Director Forbes, thanks for your report. I'm going to hold my comments for budget and the infrastructure report. I just wanted to say that I wanted to wish Mr. Cotter and his family a speedy recovery. And I also wanted to wish us happy Lunar New Year, which kicks off on Saturday. Gong hei fat choy.

And happy Black History Month too, two communities that have been really intertwined in their struggle for civil rights in this country. So I just thought we should acknowledge that as well. Thank you.

President Brandon: Thank you. I agree. Thank you, Director Forbes, for your report, always a great report. And I'm so happy to hear about -- it's going to be great to hear about our budget and the resilience effort and more about the draft plan but just always great to hear that we are reaching pre-pandemic levels and that, you know, the waterfront is very busy and safe and clean.

And I just want to thank the staff for bringing in the resources to continue to make this a place that everybody wants to visit. So thank you so much. Next item, please.

10. WATERFRONT RESILIENCE PROGRAM

A. Informational Presentation on the San Francisco Waterfront Coastal Flood Study Draft Integrated Feasibility Report and Environmental Impact Statement.

Brad Benson: Good afternoon, commissioners. Brad Benson, waterfront resilience director. The team is really excited to be able to share this work with you today, to get your feedback. They don't often all get to, you know, present at the commission. And I just wanted to thank some of the key leads on the effort.

Kelley Capone is our project manager for the flood study. Adam Varat will be giving the presentation today. He's our planning lead. Awesome engineers with Steve Reel and Matt Wickens. Luiz Barata is leading our public outreach.

On the Army Corps side, you'll hear today from Brian Harper, who is the study lead for the Army Corps, and just backed by an incredible team, Tacy Jensen, [Carrie] McCabe, Melinda Fisher, Eph Redden and Andrew Lobo, all bringing just amazing technical skills to the effort. It really is a partnership.

And the other thing that I wanted to do is just thank Director Forbes and Mike Martin for sort of guiding us in the really important policy discussions about how we integrate this work with the Port mission and all of the important functions along the waterfront and how we engage with the city.

It's been such rich engagement. And then, finally, President Brandon, I'll just remind you of trips that we took to Washington D.C. in 2018 advocating for the need for the Army Corps to get involved. We met with Army Corps leadership, our congressional delegation.

And it was really that advocacy that teed up this flood study and got us to this point. So I wanted to thank you for that leadership. And I will pass it off to Brian Harper, who is the planning lead for the Southwestern Division. He's going to walk through the beginning of the presentation and then hand it off to Adam Varat. So thank you so much.

Brian Harper: Thank you, Brad, appreciate that. So I will start by giving a bit of a background and overview, I'm sure, hopefully, many things that y'all are familiar with. But first, I just wanted to thank Brad and Ms. Forbes for allowing me to participate in this meeting and share this briefing with the Port team.

If we can move to the next slide, please -- so what is the flood study? I'm sure that you've heard along the way what we're doing. But just to recap, you know, this is a shared effort between the Corps of Engineers and the City of San Francisco led by the Port staff.

We're working together on a coastal flood study to study especially the effects of sea-level rise but study flooding along the seven-and-a-half miles of the waterfront that the Port has jurisdiction. And now, we're reaching this important milestone where we're releasing a draft report of the team to report out on the work that the team has done, the recommendations that we're making and what is the basis or what's behind that recommendation.

And to preview, you know, the recommended solutions do add up to an estimated cost of \$13 billion. The federal cost share on that would be 65 percent. But you know, the plan that is in this draft report is the subject of ongoing reviews and some continuing process actions that I'll describe as I go through this briefing. So -- next slide.

So on our agenda, I will cover the first two items, just give a little bit of an overview of the risks and hazards that are the focus of this study and a process overview of what the study components -- you know, the kinds of things that we consider and the factors that have led the team to the draft plan that we're recommending.

And at that point, Adam will pick up and walk through the draft plan and get into some of the details. Next slide, please.

So far as just some of the hazards and risks faced by the waterfront, you know, the waterfront is an active location, many users, residents, businesses, tourists, commuters, etcetera, making use of the infrastructure, the cultural experiences, all of that.

But if we go to the next slide, you know, the uses of that waterfront are subject to a couple of hazards that this study is specifically focused on starting with the seismic hazard. The bulkhead, the seawall, the Embarcadero, all of these features are resting on fill and mud essentially that can become very unstable during a seismic event.

And the lower right-hand corner, you can see some settling and spreading that occurred during the 1906 storm. And we would expect, you know, similar kind of outcomes if we were to expect a significant earthquake in the area. So that presents, you know, something of an urgent risk where, you know, we could have an earthquake at any time.

And if we did, that would immediately affect the flood risk that the area faces as we've had some settling along the waterfront and were exposed to a couple of -- well, as we settle by a foot to two, that immediately exposes the area to bay waters that could come in. Next slide, please.

So as we move from that seismic risk into the flood risk, you know, the areas that were filled in order to create the waterfront 100 years ago as the seawall was built out and then filled behind, what we see happening is as sea level rises in the bay, the bay is going to start trying to reclaim, you know, some of those lower-lying areas.

So you can see that line here in these areas. What are the areas that are most vulnerable and most exposed -- potentially exposed to the effects of sea-level rise? And these are the areas that are the subject of our flood-risk studies that we've undertaken as part of the study. Next slide, please.

So in the near term, we can see signs of the flood risk especially as you have the king tides that come through, as you have atmospheric rivers and as you have compounding conditions that drive up the water levels in the bay and end up flooding local streets, coming over the shoreline into the Embarcadero.

But these are only -- you know, they're only early indicators of a problem that will get worse over time. And that is the primary focus of the study. I've heard it's like, okay, how much worse? And how quickly? To what is the severity and the timing of the effects of these flood risks as we see sea level rise with global climate-change conditions? Next slide, please.

So the city has multiple adaptation efforts underway. But this study that we're sharing between the Corps and the Port is focused on the San Francisco waterfront area and that seven-and-a-half miles highlighted by the yellow boundaries running from Aquatic Park down to Heron's Head. Next slide.

So as we look in that area, we see, you know, up to 500 structures and assets, you know, critical infrastructure assets that are at risk and the damage and disruption and interruptions to business from those assets and those structures could amount to \$23 billion more over the next 100-plus years.

Our study -- we're focused on the period from 2040 to 2140. And just one side note, that 2040 -- that period -- that's our estimated end of construction. So we use that date because that's the date that we would expect the benefits of a project to begin to accrue.

And then, we have a 100-year period that we're measuring those costs and benefits out to 2140. That allows us to take a long-term view and really examine, hey, what will sea-level rise do to us over a long time, which it also opens this door for us to manage our actions and especially our investments as well as our impacts or disruptions to the local community. We can also manage them over that same time period as we see sea level increasing. Next slide, please.

So from a -- I'm sorry. We'll go one more -- just talk a little process. We are still relatively early in the overall project-development process. We have reached this important milestone with this draft report. And it's undergoing reviews right now by the public.

We have technical and policy reviews that are occurring within the Corps of Engineers. We also have an independent external peer-review team that will be doing a technical review. The small panel of subject-matter experts from outside of the Corps will give us their feedback. And of course, agencies and the city departments themselves will also contribute feedback to us.

The team will work with that feedback to assess the plan that we've recommended and to scope the remaining technical analyses that we'll do before we complete the feasibility study. The feasibility study is scheduled to be completed by the end of next year, 2025, so that we have a recommendation to deliver to Congress by early in 2026.

You probably are aware that we receive our authorizations from Congress through our WRDAs, our Water Resources Development Acts. They're on a two-year cycle to two -- so our goal is to make the Water Resources Development Act of 2026 with that recommendation from our chief of engineers.

Completing the report then opens the door for us to move into PED, preconstruction engineering and design, where we continue the design development of the project. And then, that would be expected to occur over about a five-year timeframe from 2026 to 2030 and then, from 2030 on, initiating construction again with our goal to have, you know, at least major elements of the project in place by 2040.

All of those items from design to construction are subject to funding availability, our appropriations on the federal side from Congress but, of course, also matching funds available at the local level. So we'll manage the implementation strategy according to the resources that are available to the project. Next slide, please.

So what is in the draft plan? Well, you know, we wanted to answer some big questions first. Where should we build the flood defenses? We considered options for moving bayward, having, you know, increased fill in the bay to minimize or reduce land-side impacts or, conversely, move, you know, inland, so we can avoid bay-fill impacts and have -- incur the impacts on the land side of the shoreline.

We also considered things like how high or what scale to defend against. The scale is going to be entirely dependent upon how fast sea levels do rise. And scale will then also bring with it resource requirements. You know, what are the costs and the environmental and social impacts of the project?

So as we build bigger to defend ourselves, we incur -- we have those costs and impacts we would have to manage. So -- and then, how much space to use -- you know, do we impact the full roadway, especially the Embarcadero, that three-and-a-half miles of the northern waterfront area?

And you know, how much -- we have some design options that allow us to use features that would make use of more space. But then, that, of course, comes with disruption. And then, you know, where we have -- take up less space, then we've got to figure out how to maintain access through slopes and grade changes and features like that.

In other areas of the waterfront, having more space might actually be a good thing where we're opening the door to increased recreation activities through the creation of green spaces and things like that.

So depending on where we are in the waterfront area, more or less space has impacts for other beneficial opportunities. And we wanted to present all of

these tradeoffs as we consider [cost of] plans. Next slide, we can move into what's not in the plan. I'm sorry. Can we go to the next slide?

Male Voice: [Harper], is it not advancing for you?

Brian Harper: It didn't at this end. I'm sorry if y'all saw it advance, and I didn't. There might be a lag or -- so far, it seems to be going okay. But that was a little bit slow. So what's not in the plan?

As I said, we wanted to answer some of those big questions first about, you know, where, how big, general location and -- general location, size and how important is it to defend at the waterfront or at the shoreline versus, you know, making room for water or going into the bay. So those are the big questions.

But we don't have all of the design details figured out. We first want to get feedback on some of those bigger questions so that we can get those issues settled before we move into the design detail. So the next phase of study will be to initiate more of the design development, what exactly do the features look like as well as developing some strategies for implementation.

You know, what timing and sequencing options do we have? What are the things that would allow us to manage the funding for the plan and those kind of things? So right now, those items are not in the plan. They are part of the work that will be developed as we move to a final report and also as we move into the design phase for the project.

The draft plan also -- you know, it is not a design for the future waterfront. One of the key components of this project at this point in the project is the ability of the Corps to say, yes, we do see an opportunity for our agency to partner with the city to develop a coastal study -- a flood project in the area.

If we can agree that, yeah, there's that opportunity, now we can start working some of the details about how does this project then interact with other uses of the waterfront and, in particular, you know, other infrastructure systems that the city manages and that others are interested in and, similarly, with the historic districts and other historic structures in the waterfront.

You know, as we move forward in the process, we can start working details about how these things will come together in that space. Next slide, please.

So how did we develop the plan? We did start with those hazards that I mentioned earlier, the earthquake and flood hazards, analyzing, okay, what do those hazards mean in terms of consequences?

What would the impact be on people in the community, on businesses, on structures and infrastructure, on the operations of the transportation networks but

doing an assessment of the risks and the impacts to people and property and infrastructure in the study area in order to give some measure to them, you know, put them in metrics that we can then work with as we try to find effective solutions?

So working with those risk assessments and what kinds of impacts would be felt from flooding or from earthquake, what then are opportunities to take actions, you know, design and construct projects that would then begin to effectively address or reduce those risks?

So how do we reduce the impacts to people and property and the infrastructure? There was extensive local engagement, 150-plus events obtaining community feedback on what the community feels is most important as well as what types of actions, you know, they viewed as most promising but, you know, bringing that into the study and using that to develop seven conceptual strategies for how we believe we can combine all of these things.

You know, how can we scale the project, the location shifting waterward or landward while also incorporating or acknowledging the input from the community that allows us to avoid or minimize impacts to the community while achieving our risk outcomes?

We use all of that to do a pretty thorough cost-and-benefit analysis and present, you know, quite a large set of metrics on cost and benefit so that, you know, we can report that out to both policymakers and to the public to get the feedback that we need on the alternative.

So all of that comes together in the draft plan. The feedback that we get on that draft plan will then set the stage for us to get to a final feasibility report with a recommended plan that does acknowledge and incorporate all of that public feedback as well as, you know, technical and policy feedback. Next slide, please.

So that's the stage that we're in right now going through those reviews. That comprehensive cost-benefit analysis though, while the tradition within the Corps is to focus primarily on economics and rely on benefit-cost ratios and dollar-denominated metrics, this study is a first for us in a couple of different ways.

But one of the major ways is the way in which non-monetary effects are being considered and particularly the impacts to people and the community and ensuring that we're considering these other categories of effect like social connectedness and social vulnerability and resiliency, community identity, health and safety and then the other forms of economic vulnerability aside from the normal dollar metrics that the Corps uses.

So we have a wide set of metrics across social, environmental and economic accounts that are disclosed in the draft report. And the team has used all of them to come up with the plan that we recommend. And it is unusual for the Corps because, again, it doesn't rely solely on that benefit-cost ratio but does also include the social metrics that place an emphasis on also making sure that we have equitable outcomes across the project area and across the populations that we have. Next slide, please.

So what happens as we go forward? The draft plan itself includes what we identify as first actions. We believe that the most important recommendation we can make is how to start, what initial features, what initial items should be included in the project.

And from there, we would propose to monitor conditions, especially sea-level rise and global climate indicators but also local development patterns, local activities on the ground in the study area but monitor all of these things and make future decisions on how to continue to adapt the project through subsequent actions that allow us to continue to defend against increasing sea level.

So initially, our goal is to defend against a foot-and-a-half to three-and-a-half feet of sea-level rise where ultimately we would expect to be able to continue modifying the project to defend against up to seven feet of sea-level rise and even beyond that.

There are projections that would expect sea-level rise over the next 100 years to possibly even exceed that level. But that level of bay rise would likely require, you know, different decisions than the ones that we're initially making.

So our goal now is not to make decisions that can be made 100 years from now but to make the decisions that get us through the next 50 years or so so that we then enable ourselves and basically future decision makers to make the best decisions for the community at that time based on the changing conditions that they do see. Next slide.

Part of the study, in addition to our benefit-cost analyses, of course we also did environmental assessments as part of complying with the National [Economic] Protection Act. So we do have an environmental impact statement, an EIS, that is integrated into the draft feasibility report and discloses the information that is required to coordinate with resource agencies around the impact -- the environmental and social impact of the project. Next slide, please.

So as we did that environmental review, you know, we're primarily focused on the impacts of those first actions that are our emphasis and complying with the various laws and executive orders as well as accounting for the mitigation that would be required for the impacts that we do estimate to occur.

There are some unavoidable adverse impacts. We do have a small amount of added bay fill. So there would be some lost habitat as we do work there along the shoreline. But generally speaking, we have avoided loss of marshes and eelgrass, beaches and intertidal habitat and aim to continue to do so through the project.

And with that note, I'll also acknowledge we are pursuing opportunities to have nature-based solutions, things like living shorelines and other kind of features that can be incorporated into the project so that we're not only mitigating our impact but perhaps creating some beneficial outcomes in some areas along the shoreline that are currently in a degraded condition.

So we'll be on the lookout for those opportunities. And that will also be part of our work as we move forward. And with that, I will turn it over to Adam to talk about the draft plan details.

Adam Varat: All right. Thank you, Harper. Adam Varat, Port staff, very excited to be here and to be presenting this big milestone to you today, of being able to release the draft plan to the public and enter into a period of getting public feedback and comment on the plan and working closely with the Army Corps as we've done.

So I'm going to walk through what's in the content of the draft plan here and some of the key sort of policy considerations for the Port and for this commission. So what you see here is sort of an overview of the major kind of big moves of the draft plan.

So what we're looking at is the study area from Heron's Head Park up to Aquatic Park and divided into kind of four subareas or what the Army Corps calls reaches. And I'll go through reach by reach.

But what you're looking at here is sort of, generally speaking, you know, a strategy to: elevate and adapt the current existing shoreline with seismically sound structures, whether they're seawalls or levees or things like that; as Harper mentioned, incorporating nature-based features such as living seawalls and creek enhancements where we can; adapting portions of the historic district, the wharves and the bulkhead buildings; and then in some areas, particularly in Fisherman's Wharf, looking at floodproofing of certain buildings and piers; and then making related kind of inland drainage, stormwater-management improvement so that we can continue to get stormwater out to the sea as we elevate the shoreline -- or out to the bay, I should say.

And all of this is based on that over six years of public engagement in which we've gotten kind of feedback on the draft plan. And I'll kind of go into that a little bit more at the end of the presentation.

So to go kind of reach by reach starting with Fisherman's Wharf, which the reach really extends out to Pier 27 or so, this is an area that is largely on somewhat higher ground and protected by existing breakwaters. And we didn't see a lot of flood damage through the study.

So we have a sort of lower-scale approach to adaptation here. So in this reach, we are proposing to floodproof certain buildings to protect or defend against flooding on those particular assets as well as adding kind of short flood walls around the piers and then connecting to the higher ground along Aquatic Park.

And here's a little bit more detail on what that means. So you can sort of imagine floodproofing around the ground floors of existing buildings to keep water out or to modify the building to let water in but with minimal damage. And we would also be adding kind of short two-foot flood walls around the piers that would defend the piers and kind of extend their useful life from a flood perspective against kind of storms and tides.

So in this area, we're seeing sea-level-rise protection in the form of floodproofing of kind of buildings and assets that are at risk. What this means though is that we're not doing a kind of comprehensive raising of the shoreline and kind of seismic improvement.

So we really need to be looking to other projects such as the Port's kind of public-private partnerships and our early projects that we are working through with the Prop A bond money such as improvements to Wharf J9. So we're going to be looking at these other projects to provide near-term kind of adaptation and seismic improvement in this area.

Moving to reach two, which extends from kind of Telegraph Hill, Pier 27 down to the Bay Bridge. This is an area where we see extensive flood damages, low-lying areas, high concentration of dense uses. So in this area, we're proposing to elevate the shoreline to defend against up to three-and-a-half feet of sea-level rise, which is a higher kind of sea-level-rise projection that we would expect to kind of last to end of century using a high sea-level-rise projection.

In this area, we are proposing to do that kind of as a first action because of the sort of lack of available space to do subsequent actions and the sort of dense concentration of buildings, transportation and utility infrastructure and the disruption that it would cause to do kind of multiple actions over time to the Embarcadero and the activity along the Embarcadero.

We would also be adapting portions of the historic district including the wharves, the bulkhead buildings and also the Ferry Building, meaning elevating those uses and adding those short flood walls around the piers.

And here is sort of a visualization of how that might work so kind of using the existing seawall would be rebuilt and adapted to that three-and-a-half feet of sea-level rise at an elevated level and then graded gradually back to the existing city grade. So we could keep that kind of visual and physical connection to the waterfront.

I should mention, you know, we don't have -- this is -- as Harper mentioned, this is not a design plan. This is a very high-level kind of where and how high and design details, you know, we can work through at later stages. And then, you see in the sort of salmon colored, we are also proposing to elevate the wharves parallel to the shore and the historic buildings along the wharves, the bulkhead buildings and the Ferry Building and then transitioning down to the piers, which would have the kind of two-foot floodwall around the pier.

So to be clear, the piers are not adapted or elevated in this scenario. They would receive kind of short floodwalls that would extend their useful life in this way. The bulkhead buildings and the wharves parallel to the pier are elevated to kind of match the shoreline there.

And in this area, in summary, we would be elevating the shoreline to withstand up to three-and-a-half feet of sea-level rise and making those associated seismic ground improvements, maintaining connection to the waterfront, protecting our utility and transportation networks.

And there are options to add kind of nature-based features such as living seawalls. And there are no subsequent actions in this area because we're building directly to that higher level of sea-level rise.

Moving south along the shoreline into South Beach and Mission Bay, this is going from the Bay Bridge all the way down to Potrero Point including the kind of South Beach, Mission Creek shoreline and Mission Bay shoreline, also a very low-lying area where we see significant amounts of economic damage and exposure to populations who live and work there.

In this area, we would be proposing to elevate the shoreline to defend against one-and-a-half feet of sea-level rise. And then, it would be further adapted in time. There is more space to provide sort of berm of levee-like features that are more easily adapted over time and so can come in later as the need arises to do subsequent actions.

We would be looking at elevating the shoreline with seawalls along the South Beach and ballpark sections and then kind of low-lying berms or levees along the banks of the creek and the Mission Bay shoreline. And this would connect to areas where we have either development projects or Port open-space projects that are already developing to higher ground, such as Mission Rock, Pier 70, Crane Cove Park and Bayfront Park.

We would also be proposing to add what's called a closure structure along the Third and Fourth Street bridges over Mission Creek so that we could close that kind of gap or low point during intense storms or tide events. You know, this could be disruptive in the sense that, if it were [deployed], the transportation including the muni that goes over those bridges would need to stop for a time period.

Initially and for several decades, we think this would be a very infrequent occurrence, less than once a year. But as it continues, these would need to become more frequent. And the long-term solution here is really to adapt and elevate those bridges.

In this area again, you know, kind of providing that sea-level-rise protection to withstand up to one-and-a-half feet of sea-level rise, making those seismic ground improvements and all the other features that we saw in reach too. We have early projects going on here.

And then, here is where we would be seeing that sort of monitoring of sea-level rise indicators and climate indicators to say -- to show us when we have a trigger to say, okay, we need to start designing and planning and building that next adaptation to get us up to a higher sea-level-rise adaptation level.

And then, moving to reach four, Islais Creek/Bayview from Potrero Point down to Heron's Head Park, again a very low-lying area subject to compound flooding from coastal flooding, inland drainage and groundwater rise as well so so sort of complex flooding scenarios in this area and a lot of damages to kind of Port facilities and the surrounding industrial land.

In this area, similar to reach three, we'd be looking at a combination of elevating the shoreline to defend against that one-and-a-half feet of sea-level rise by adding kind of short flood walls around the piers and then sort of vegetated berms around some of the more natural areas and creek banks in that area.

We'd also be adding the closure structures alongside the Illinois Street Bridge with the Third Street Bridge -- the Department of Public Works has an ongoing funded project to rebuild and elevate that bridge to already accommodate sea-level rise. So that one is addressed with that project.

This is showing kind of what these berms or levees could look like and could include kind of habitat and nature-based features as well as recreational and open-space features along the banks of these berms. And similar to reach three, we would be defending the shoreline against one-and-a-half feet of sea-level rise and then, in a later subsequent move, adapting up to three-and-a-half feet of sea-level rise when we got that kind of trigger or indicator that we need to start designing and building those improvements.

So we're really trying to be responsive to what we've heard from the public, looking at kind of building flood defenses that improve public safety and emergency response by protecting our disaster-recovery facilities, really putting people first and defending, you know, things that people need for their daily lives, housing, transportation, utilities, community assets, maintaining and enhancing those connections to the waterfront and improving the public realm and then adding kind of nature features and ecological habitat wherever we can through this process and something that can be expanded upon as we refine the plan and differs where -- depending on the amount of space available within the plan area.

So just to go into a few sort of key policy considerations that we wanted to highlight for your consideration -- the first is that this is a mega project. This is a massive, complex and expensive undertaking. It's not something that's going to be built all at once. It's going to depend on funding availability and other factors.

So we're going to have to sort of phase and prioritize how we build in these first actions based on things like where we see the highest level of risk, equity considerations, opportunities to coordinate with public or private investments and other factors like that.

So this is something we're going to be developing through the next phase of the plan, a little more detail about how can this be phased in over time, and what are the priority earliest pieces to be built.

Then, we're going to go to looking at equity. This is really a core consideration of the planning work that we've done. It's guided by the work that the Port has done on the racial equity action plan.

And as Harper mentioned, you know, we really incorporated social-equity considerations into how we analyzed, developed and selected the draft plan including thinking about the exposure of vulnerable populations and kind of how we could mitigate that exposure, benefit the people that live there and kind of minimize the burdens on BIPOC communities.

Another consideration is historic preservation. This is obviously very important to the working of the Port and this commission and the two historic districts that the Port stewards, the Embarcadero and Union Iron Works Historic District.

So we've convened a technical advisory community made up of local historic-preservation experts to help us, you know, inform and provide feedback on the plan from a historic-preservation standpoint. We're also going to be working through a process of compliance with Section 106 of the National Historic Preservation Act through the environmental review.

And that means we're going to be working closely with the Army Corps as well as the state historic-preservation officer to make sure that, as we're adapting the Port's historic districts, we're doing it consistent with the secretary of the interior standards.

And we are, you know, adapting and modifying some of these historic resources in a way that's necessary because they need to be adapted to the coming coastal flood risk. So we're working to kind of preserve the Ferry Building, the seawall, the historic wharves and adapt these to sea-level rise over time.

And finally, this is -- you know, we've worked in very close partnership with the Army Corps throughout this. We think it's a great plan. We also, as a city, saw ways that we think that the plan can be strengthened and items that we want to continue to work through as we refine the plan and work towards that kind of final recommended plan next year.

So we're looking at kind of how can we refine that design in terms of improving public space, nature and waterfront access. How can we increase the risk reduction -- so extending the Embarcadero Historic District improvements so that that gets all the way up to Pier 35 as well as looking at scaling actions to a higher level in those southern reaches as an initial action.

We need to do more work to understand the level of contaminated sites and how to remediate those materials associated with constructing this project as well as the sort of inland-drainage costs and modifications that would need to be made along with the plan.

And finally, you know, we really want to do this with an eye to the sort of Port's economic recovery and investment and really try to minimize the disruption to Port tenants and private property owners on the city side as well as mitigating impacts to historic resources and the environment.

So last section -- you know, we're entering into this public-comment period, started on January 26th as we released the draft plan. And the comment period goes through March 29th of this year. These comments will be collected formally through the Corps process and considered in the draft-plan-refinements process.

So there are a number of ways -- and we want to highlight that there are ways for people to kind of formally submit their comment on this plan. We have a number of community workshops, walking tours, Webinars, CVO-stakeholder meetings and other ways of engaging at our website, SFPort.com/WRP.

And you can provide comments -- written comments on the plan via email to this address. You can -- mail and online at our website. So with that, I just want to leave you with -- you know, this is an opportunity both to defend our shoreline and our waterfront and assets against flooding and seismic hazards and also to

kind of think about the waterfront that we have, build on and enhance the great waterfront and historic districts that we have today and think about the waterfront of the future.

So with that, we're available for questions. And we have many members of the team here who can help answer the questions. Thank you.

President Brandon: Thank you. Thank you so much for that presentation. Thank you, Brad, Brian and Adam. Great presentation. I'd like to open it up to public comment. Is there any public comment in the room? Seeing none. Do we have anyone on the phone?

No Public Comment on Item 10A.

Commissioners' Discussion on Item 10A:

Commissioner Harrington: Thank you, President Brandon. There is so much good to hear about this. It's wonderful. Thank you for kind of telling us and telling us again and telling us again. And we're going to be hearing it a lot. But that's a good thing.

The Army Corps of Engineers has a history kind of of being fairly narrowly focused on things, sometimes myopic from some people's point of view. So it's really nice that they took such a broad view of this discussion. So it's not just how can we build something with an engineering response, but social, equity, economic, all those kind of things are brought into it.

So that's really, really very welcome. And I appreciate that so much. The idea of having a nature-based solution as part of this I think is wonderful. I was a little concerned when I started looking in the -- the first waterfront one had no nature-based solution. And then, the next part for the Embarcadero said optional. I thought, hmm, not again.

So I was very happy the last two reaches really had integral parts of it. And I would encourage you to keep looking for making the nature-based solution more integral to what's going on. So I think it's wonderful that we're moving finally on this -- not finally but I mean that it's moving continually.

I have some questions. And I don't feel the need to get answers today. If you want to respond, that's fine or not. But if you want over time to be able to bring back information, that would be great. I guess the first is -- clearly, this is our responsibility for the Port-owned waterfront.

But there's parts of the city that aren't included in this so the northern and the southern kind of adaptation areas. I'd love to hear what else is happening at some point, who is doing what, how that relates to what we're doing and whether there's a real -- I mean, obviously, if you build a wall here and there's nothing

next to it, that's not a good thing. So how does it all fit together would be really nice to see.

The second thing is kind of the finances. You know, when I started seeing, \$13.5 billion, big money, you know. We get 35 percent of it to figure out. It occurred to me that we don't want this to be like the high-speed rail or the east span of the Bay Bridge where we announce a number. And then, every time for the next 40 years, somebody blames us for not living within that number because we don't know what's in this.

We know what's not in this. So we know there's part of that there. And as part of the feasibility study even, it's not 13.5. It's 20 when you do escalation to midpoint of construction. So we need to figure out how to talk about the size of this in a way that doesn't stick us with a number that we'll be blamed for for the rest of our natural lives, whether that's a range or that's a big number.

But let's not say it's \$13.5 billion because it won't be. So figure out how to do it. I was a little interested -- I don't follow the details of the federal budget enough. It's budgeted in the Water Resources Development Act. Is that part of the defense budget since it's the Army Corps of Engineers? Is it part of an EPA budget? Whose budget is it? What cabinet is it under?

Brad Benson: So -- Brad Benson. All great questions. And I won't attempt to answer all of them. The Water Resources Development Act is the authorizing vehicle for projects like this. The energy and water appropriations bill is the appropriations vehicle for this. And it flows through DoD to the Army Corps of Engineers --

Commissioner Harrington: Okay.

Brad Benson: -- which both serve some defense purposes and civil works projects like this, water resources projects like this.

Commissioner Harrington: I guess the question is, the defense budget seems to be so protected compared to most other ones. Are we part of that?

Brad Benson: Harper, I think this may be a better question for you --

Brian Harper: We are not -- the defense appropriations show up in a separate bill. Our civil works projects show up in the energy and water appropriations. So we're lumped together with the Department of Energy primarily.

Commissioner Harrington: That makes sense. That's what I expected. But I thought maybe we'd be lucky to be in such a big, huge thing everybody seems to love. Okay. That's great.

There's a couple other questions. The relation to stormwater -- you know, as we're talking about elevating the Embarcadero -- and obviously, it's sitting on top of the stormwater -- big box sewers. We're looking at doing a lot of design work over the next five to 10 years. But we're also looking -- I think the PUC has \$4 billion in their budget for the next four years working on the southeast outfall.

There is so much going on in other parts of the city but particularly the PUC. I hope we're coordinating with them and/or making sure that, if they're doing something ahead of us, that they're doing it in a way that will fit in with what we want to do ultimately. Does that sound right?

Brad Benson: So we've been coordinating closely with the other departments through the ClimateSF initiative. So we've got staff level, deputy level and directors all sort of talking about the policy issues. On the more technical side, the PUC is one of those agencies that have actually spent quite a bit of their resources engaging with this plan, helping us with some of the modeling of the stormwater impacts.

I think, as you know from your former role, the PUC is only mandated right now through its combined sewer system to deal with the five-year storm. And we're looking at the need to manage even more stormwater than that if we're elevating the shoreline.

So we're going to have to worry about the 100-year storm. And they've been in all of those technical conversations. And that's one of the issues that Adam highlighted that needs to get resolved. The Army Corps has a different estimate for the inland drainage costs in the plan than the SFPUC.

So we're going to be working through a collaborative process to really sort of answer, is that part of the plan sized the right way?

Commissioner Harrington: Great. And what you mentioned there reminds me that the whole discussion of what's the timing, not for doing it but the time horizon of what we're trying to fix sounds like it makes sense to me the way it's being described. So I appreciate that. Thanks.

Brad Benson: And the other part of your question that I'll answer is your concern about cost and people getting fixed on the cost. And we actually had a big discussion about this. These are very high-level cost estimates. We expect that they will change.

So just know that we're going to try and sort of message that appropriately to the public because it does undermine confidence in government when costs appear to change over time. So we have to be very careful about that.

Commissioner Harrington: It wouldn't undermine it if it went down, but it never goes down. [laughter] So yeah. Thanks.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: Well, I'm glad we got a price tag, but I know it's -- like Commissioner Harrington said, it's not going to be the same especially five years from now. I'm just curious -- things are happening very fast. What happens if we have to do this quicker than five years from now to start construction?

Does it just sit around, you know, because we haven't gone through all the process? But then, suddenly, there's an emergency, you know, that things are already breaching the wall. That's one question.

Another thing is, on the small business part of it, you know, obviously the roadways and things -- and you know how construction with the muni -- that wiped out a lot of small businesses. Is there a mitigation plan or any kind of plan? How do we deal with these small businesses that have to be relocated?

Or do we shorten their leases and let them take a break? There's a lot of things that, when we start doing construction, we might have our own little economic problem because we're going to have to shut down a lot of our small businesses on the waterfront.

So I'm just wondering if there's going to be a plan or contingency plan written about how to deal with this because you have a lot of small businesses along the -- I mean, maybe not the shoreline in the south but up in the north and the central. I can imagine, especially when you're knocking out the roadway, you know, how -- what are we going to do about that?

So that's kind of the other question I have. But other than that, I'm glad it's here. I just hope it hurries.

Brad Benson: Maybe to your first question about sort of the storm risk that we might face in the near term, we're quite concerned about that as well. We have an existing flood risk. And we've got that Embarcadero muni portal right out on the Embarcadero. We don't want to have a New York type of experience in San Francisco.

We're advancing an early project through the Port that got FEMA funding that we're trying to get into the ground. Before 2030, construction would start on that project. So we don't want to wait around for the bigger move to address the critical risk now. That's part of the strategy.

And there is flood risk today. Right. There is flood risk in multiple locations of the waterfront today. If we got a big 500-year storm, which we have not experienced, there would be damages associated with that.

On your second point, this is a point that Director Forbes has been really focusing the team on. It's this disruption. We're a great waterfront because we're

built right up to the edge. It's a great, sort of very unique sort of experience of the bay right there.

And what we're doing is trying to change that sort of highly developed shoreline. And we have to approach it in a very thoughtful way. So Director Forbes has asked for a phasing plan that makes sense that won't shut down the waterfront.

We've got to maintain it, you know, sort of open for public enjoyment. We're doing research about how other large projects around both the country and the world are handling big infrastructure projects in highly developed urban areas and how you implement those so that you can provide sort of ongoing public access and commerce and activity.

And that doesn't change the fact that there will be disruption. Right. So we have to plan for that but manage it in a way that will benefit our tenants and our public and the people who enjoy and rely on the waterfront.

Commissioner Lee: Is there a timeframe for that kind of report?

Brad Benson: So we're working with the Army Corps on the phasing piece and internally at the Port and with other city departments. That's work that will happen over the next couple of months conceptually at a high level. It will advance through the study a bit.

We can come back after we've done some of that initial work internally and with the departments and the Army Corps and present you with the information about where we are at that time. So I think that's a good report back to the commission.

And we want to continue talking about this issue because it's going to be one of the key issues that we'll be facing in terms of public engagement. So let's keep on talking about it.

Commissioner Lee: Yeah. Because I think one thing you haven't factored is how much lost revenue we will have during this process so not only the cost of building it. How about the cost of losing money on rental income that we might have to defer?

Brad Benson: Yeah. And part of that phasing plan and thinking about how we're managing disruption goes to the other point that you mentioned, which is tenant relocation. You know, it's like, if we're doing construction in the area, are we being thoughtful about how we're managing our relationship with the Port's lifeline, which are our maritime and real estate tenants?

Commissioner Lee: Right. Okay. Thank you.

President Brandon: Thank you. Vice President Gilman?

Vice President Gilman: Thank you. Great comments from my fellow commissioners. Just sort of -- these are more just -- I want to make sure my framing is correct. They're not really questions. And it's also part of this is just for the public.

So when we go back to the very beginning of your presentation in the staff report, there's preconstruction and engineering and design. But we're hoping in like best-case scenario construction starts possibly in 2030.

Brad Benson: After 2030 --

Vice President Gilman: After --

Brad Benson: -- is what we're saying right now. We're not trying to be exact -- [crosstalk]

Vice President Gilman: Right. So-so we have at least six -- I guess what I'm getting at is we have six to seven years, possibly a decade where we're still predesigning. We're still figuring it all out and where we can look at, when we're entering into a new leases with people or extending leases, how we put some of these safeguards --

Director Forbes: [How we go about] --

Vice President Gilman: -- in place --

Director Forbes: -- [it -- yeah].

Vice President Gilman: So we're not just hit with a barrage of, you know, we're closing off -- I don't know -- Battery and Embarcadero tomorrow. Fog City, you're out, right, so -- like on the seawall side. So I guess I just wanted -- to me, what I think is so great about this presentation and all the community outreach we're doing is, while we are absolutely going to get it done and get it done right, we have such a great community process.

We're starting very, very early in all these conceptual ideas. So you know, hopefully construction starts. And then, we're thinking a decade of construction?

Brad Benson: We're still working on the timeline. We think that actually some of these improvements could be implemented over decades. And that's part of the phasing work that --

Vice President Gilman: Okay.

Brad Benson: -- we need to do. And it's like -- that's going to be informed by risk. You know, we want to go to those high-risk areas first. But we need to also manage the construction because of the cost of it. So what can the city -- what can the federal government afford to pay for over time -- so how we balance those different factors.

Vice President Gilman: Okay. Well, I'm excited to see some of these projects completed in my lifetime. And -- [laughter] what I also was just getting at for the public I think particularly because of all the press, which again is part of the phenomenal community outreach that we're doing -- we're not razing the Ferry Building tomorrow.

And as my neighbor asked -- it's like she asked if she's going to walk up a steep hill. And I was like, no, that's not happening tomorrow. But I do hope, in line with what Commissioner Harrington said, you know, lessons learned from other mega projects -- and I just think high-speed rail unfortunately is a good example.

I just hope, on the phasing, that they're more like little puzzle pieces, that if we can get through phases like two through eight and then for some reason the project runs out of money, it's not like a train to nowhere. It has mitigated a certain amount of risk and that we do it equitably, so it's across our whole waterfront.

I think that's what's really unique about this project versus a high-speed rail that has a start, a stop and a bunch of -- it's very linear. We could get through much of this phasing or, you know, some of these first actions and have improvements even if I don't see the complete plan done in my lifetime.

So I just sort of wanted just to articulate that. And then, Brad too, I also wanted to just say that I really appreciate you bringing in your team to present to us. Some of them haven't presented to us before. And I think that's -- it sort of leads into budget, which we're going to see sort of leadership development, equity and laddering so that we give people leadership opportunities.

So I just wanted to thank you. You've been before us so much with this report. But I really appreciate your team being here and co-presenting. I just wanted to have that reflection.

President Brandon: Thank you.

Adam Varat: Sorry. I did want to respond because I think there's two items that are between all the commissioner comments. There's sort of a phasing plan that I think is what Brad was sort of mentioning. We're going to be sort of working on where -- what are the priority areas? Where would we start work based on risk, lowest areas, etcetera?

And then, there's a level of detail that's sort of a construction-staging level of detail. And that, you know, may be more to the sort of tenant relocations and things like that. That would happen at a later stage when we get into that detailed design. So there's sort of two scales of that that are happening.

President Brandon: Thank you. Thank you again for the report, a lot of great information. It's hard to believe that we just started this process in 2018 and how far we've come. So I really want to thank you and congratulate your team and our consultants and the Army Corps and great partnerships that we've developed along the way to get us where we are because I think San Francisco is being very proactive in this regard and really preparing ourselves for what eventually will happen over time.

So thank you again for the report. A lot of the questions I had have been answered. Just wanted to ask -- when we go to seek congressional funding, are we seeking funding for the entire project at that point? Or what phase of the project are we seeking congressional funding for?

Brad Benson: So I would say that there are two steps in the federal process. There's authorizing and then appropriating. And --

President Brandon: Right.

Brad Benson: -- we want to authorize the project because that's what the chief's report will recommend. It's like the whole project. But we're going to do all of this phasing work to think about how we can meter this out over time. And we'll first be seeking design funding for some of those first improvements.

And then, after we complete that design, we'd go back and seek construction funding for those first improvements. And so --

President Brandon: So how often do we have to go back?

Brad Benson: We're going to be going to Washington D.C. every other year. [laughter]

President Brandon: So we have to go every other year for funding.

Commissioner Harrington: But once you have the authorization --

President Brandon: So that w -- yeah. That was my question.

Commissioner Harrington: -- [it intends] to flow.

President Brandon: You know, are we going for the total authorization or --

Brad Benson: So let me --

President Brandon: Okay.

Brad Benson: -- let me address this. So very few projects across the country get all of their funding in one lump. It has happened recently with some projects. Denver was very lucky in the infrastructure bill and got a huge chunk of money, pretty much all of their federal funding. That's atypical.

Usually, you're fighting in each -- fighting, advocating in each budget cycle for the funding to advance your project for the next couple of years. So the Army Corps makes requests through the president's budget. You can also advocate that congress add more.

So you tee up your project and your political support for the project, your community support. And then, you have to go and engage regularly over time to get your funding.

President Brandon: So in 2026, what will we be asking for?

Brad Benson: Design funding for first sort of actions based on that phasing plan. We'll go through a process that will be transparent to you, the commission and the public, come up with a phasing plan. These are the most important areas where we think we're starting. And the design funding would fund the sort of design of those areas.

President Brandon: Okay. So this is not [quick].

Brian Harper: So I can add a little bit from the Corps perspective.

President Brandon: Thank you, Brian.

Brian Harper: So that first budget ask, we would essentially decide, what do we want our first construction contract to look like. So what part of the project would be constructed first? And we would request the design funds to design that feature. So if it's a billion-dollar cons -- [video frozen]

Commissioner Lee: Frozen.

Brad Benson: I think he's been having some connection problem. [crosstalk] So I'm just going to interpret what he was going to say. If it's a billion-dollar first construction project, it would be the design funding for that billion-dollar project, which is not all one billion dollars.

Vice President Gilman: So it could be like 100 million if it was 10 --

Brad Benson: Yes. I'm not going to speculate on exactly --

Vice President Gilman: Yeah. I know. Or --

Brad Benson: -- the amount. But --

Vice President Gilman: -- five or one dollar, whatever it costs --

Brad Benson: Yes.

Vice President Gilman: -- for the design.

Brad Benson: Yes.

President Brandon: And we will do this -- so this chart is not quite accurate. This is what -- we will have to do this every two years. So we will be working on --

Brad Benson: You're correct. We're going to be -- at some point in time, we'll be constructing [crosstalk] portions of the project and designing others --

Director Forbes: Yes.

Vice President Gilman: Mm-hmm.

Brad Benson: -- so that we can implement as much of it as possible over time. That's a very simplified representation of what we'll be doing related to the first part of the phasing work.

President Brandon: Okay. So we will be going to Congress every two years.

Director Forbes: Yes, likely. [laughter]

President Brandon: For 20, 30 years maybe.

Director Forbes: Maybe a very long time.

President Brandon: Okay.

Director Forbes: Probably a very long time.

President Brandon: Okay.

Director Forbes: One of the things I wanted to add for context is, when I talked to Mr. Harper about this exact topic, he was very clear that, when you get an appropriation, you must be able to perform. So you don't want to have any doubt in your construction budget, in your implementation plan, in your preparation for that construction project.

You want to have full-speed-ahead capability and sight that you will perform. So that's why we would take design dollars before we would take design and construction dollars.

President Brandon: Yeah. I think where I was confused is I thought we would go and ask for approval of the project. And then, I know, subsequently, we would have to go and ask for allocations or appropriations of funding throughout the project. So do we -- is there a point when we have approval for the overall project?

Director Forbes: I think, when the chief's --

President Brandon: Or is it just --

Director Forbes: -- the chief's report recommends --

Brad Benson: Yes.

Director Forbes: -- the project, we have approval for the project.

President Brandon: Got it. So I guess that's semantics because that's what I was asking. Do we go --

Brad Benson: Got it.

President Brandon: -- for approval? And I know appropriations come as needed because we have to be able to use those funds throughout. Okay. Thank you. I appreciate that response. I really like the social metrics and all that we've done to include other things.

And I'm so glad that we're a pilot for the Army Corps. And hopefully, that expands throughout their universe that -- you know, to take other things into consideration than just the engineering piece of it. So I really like that piece of this. So for next steps, what are the next steps after public comment?

Adam Varat: So as I mentioned, you know, we're going to be going through this public-comment period. At the same time, as Harper mentioned, we're also getting that sort of technical agency and policy review from Army Corps and peer reviewers.

We're also starting right now to start to think about plan refinements. There were options in the plan that were called independent measures that were sort of optional items. A lot of the kind of nature-based features fall in there. And we're going to be assessing, you know, do we want these to be part of the plan or not and doing the same with the public and all the other comments that we get.

Here, we're going to categorize those comments, say here are some, you know, themes that are emerging. How will we refine the plan? There's a major milestone in June, which is a sort of core policy review to say this is the direction that we want to go in terms of refining the draft plan. And then, we will be doing

the analysis to kind of support that and doing that plan refinement through next year to get to that final recommendation at the end of 2025.

President Brandon: Wonderful. Thank you.

Commissioner Harrington: I guess this is part of your question. Is it also -- when will we see you again [laughter] [on this]?

Adam Varat: I'm not exactly sure. But I think this coming summer will likely be an opportunity where we will have sort of said, here's what we heard from the public. And here's the direction that we're setting to get to that recommendation.

Commissioner Harrington: Thanks.

President Brandon: Great. Thank you. This was wonderful, really appreciate it. Thank you. Next item, please.

11. FINANCE & ADMINISTRATION

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

Nate Cruz: Hi, commissioners. I'm Nate Cruz, deputy director of finance and administration. I'm here tonight with an informational presentation on the biennial budget, both operating and capital sides. Before I get started, I wanted to just thank the staff that put this together.

Our budget manager retired just as we were kicking off in the budget season. So we had a relatively new team that did a fantastic job. So I just want to thank Yvonne Collins, Maks Zherebin, Karolina Bufka and Helen Balawejder for their help in compiling this year's budget presentation.

All right. Before we get into the biennial budget, I want to give you some context for the last -- what we think is going to happen over the next five years. Then, we'll get into operating, capital and then circle back to a few of the commission-approved budget policies and how they apply to the biennial budget.

So revenue outlook -- like has been mentioned, we are back to pre-pandemic revenue levels. So that's the headline. That's certainly something worth celebrating. When I was here two years ago with the biennial budget, we didn't think this moment would have happened until '25-'26. So we're ahead of schedule -- great news.

So now, we're really looking towards the future with that piece of good news under our belt. I think we achieved that pre-pandemic revenue milestone because of leisure tourism coming back faster than we thought. That was really led by cruise-passenger volume. We set records with that.

And I also wanted to point out -- you know, we hear a lot about the downtown office market challenges. They have a vacancy rate of about 33 percent is the last statistic I could find. The office vacancy rate at the Port is much lower at 13 percent. I think that speaks to the unique character of the facilities that we offer.

You know, we're not in the commodity downtown office market game. We have really fantastic locations, great transit. Some of our facilities have -- we'll call it character. But we don't have fancy lobbies and marble atriums. But we do have a really loyal customer base. So that served us well.

So that's sort of the actual side. As we look forward and we're putting together a forecast, we put together three scenarios. There is a base scenario. That's the yellow dotted line. That base budget is what we build the biennial budget around.

But we also create a high and a low scenario. And we talk to our divisions, maritime and real estate. They're also talking to our tenants. We talk to the controller's office and SFO to look at, you know, enplanement data and the forecast for hotel occupancy -- that's a big one -- to kind of come up with this range of outcomes that we think might happen.

And what really drives the variance between that high case and the low case are four big factors that I wanted to point out. One is our ability to release vacant restaurants. We have a number of vacancies. And our ability to get those sites activated and generating revenue again really defines some of the difference between that high and the low.

Our ability to implement a new parking model -- I [will] get into a little more details there -- but how fast we can implement that model as well as how fast customers adapt to sort of the new services will make a difference.

Office vacancy -- I mentioned this earlier. You know, our portfolio of office space -- the space that we directly lease, not the space that's under a master lease -- is not a huge portion of our revenue. It might be about 10 percent. But the workers that go into the offices downtown -- they pass through Port property quite frequently.

They're buying lunch in the Ferry Building. So that foot traffic also has an impact on our revenue. So that's baked into the high and the low scenario. And finally, while leisure tourism seems to be back, business tourism has lagged. Business tourism is both people who come to town for meetings and then convention attendees.

Those are the folks that spend the most money when they're here. And we're still waiting for that to build back to pre-pandemic levels. So that's the revenue outlook. It's pretty good.

I will say I think we've already enjoyed the steep part of the recovery. I think, from here on out, we're looking at sort of incremental gains. And some of those, we can control. And some of those are not within our control.

So we talked about revenues. Now, I want to map expenses against that. Okay. So what you're looking at in this table -- the blue line is revenues. And we've added expenses -- budgeted expenses in the black line. So yes, it's great news that revenues have returned to pre-pandemic levels.

But during that era -- during that time of the pandemic, inflation kept pushing the cost of our expenses up, primarily in labor and construction costs. So what you see here -- what I wanted to point out is, you know, the distance between the blue and the black line.

That's sort of our operating income. That operating income is what we're able to use to invest in capital and in maintenance. The distance between those two lines before the pandemic and after is very different. Right. It's much narrower as you look forward on that graph.

And our ability to fund or self-fund our own maintenance is going to be harder as we go forward. And that underscores what the staff has already been doing to find outside funding. Obviously things like stimulus are a huge win. But there's other grants out there. Development projects make a large contribution.

And as you've just heard, there is potentially quite a bit of federal funding available to help at least the seawall side of it, not necessarily the finger piers. But that's a very long-term prospect. In the near term, we have some real maintenance challenges ahead of us.

Okay. So we talked a little bit about revenues and expenses. This is my favorite table. It shows sort of all of it in one place. It's a lot. But I think it's worth it because it also incorporates fund balance. Right. This is our reserve account. And in the table, you can see up at this -- the top row shows where we started the year in fund balance.

So in '23-'24, we had about \$156.6 million in the bank. That's tremendous. That's a real high for the Port in its history. So we've used those reserves to get us through those emergency conditions. Like during the pandemic, we had to dip into the reserves. We've been able to replenish those because revenues recovered faster.

So the message to get across here is that, you know, our fund balance is in good shape. The revenues come in. Operating expenses go out. And what's left over, that net surplus or deficit line is available for capital. Capital expenses are at the bottom. And then, it goes through year to year. We've got a five-year forecast here for you.

There's two things I want to point out in the fiscal '24-'25 column. One is about a third of the way down there. It says ARPA stimulus in '24-'25. There's \$11.7 million there. In the last biennial budget, we appropriated 100 percent of the stimulus we received.

Because revenues have recovered faster than we expected, we're going to -- we're proposing to redeploy some of those ARPA funds that had been supporting some operating functions and put them into capital. So we really want to maximize the amount we can sink into our facilities.

So that \$11.7 million is not new money. We're just reallocating it, redirecting it, rather, to capital. The other thing I also wanted to point out in '24-'25 towards the bottom of the graph is a development capital contribution of \$16.5 million.

In October, the development team brought an item before you about Mission Rock that included a change to the budget and a capital contribution and also ways they were going to reimburse us for costs. That capital contribution is reflected here in that \$16.5 million. I just wanted to -- those are rows that don't always appear in this graph. So I just wanted to highlight those.

Okay. So that's sort of the five-year outlook. Now, we'll get into the expense budget, the operating budget. So the table here has some data in it it hasn't had in the past. And I wanted to just take a moment to thank President Brandon for her suggestion to provide some context.

You know, normally, the budget document is a forward-looking thing. But we have not included how we've performed in the past in this document. So the previous year actuals on the left side, sort of a new piece of information that we haven't included before -- and I think, you know, what you're seeing here is the operating budget sliced up by division.

But I'll point out the 13 percent that we came in under budget last year is on one hand a good thing. Right. I'm the CFO. I like to come in under budget. But I want to say that 13 percent is a little much. You know, some of this reflects staffing shortages that we've had and challenges we've had deploying funds. Right.

Some of the -- this 13 percent includes some of our difficulty in delivering on the resources we'd hoped to spend in that year. And we're addressing some of that with the staffing proposals we've got in the budget today. If you look on the right-hand side, you actually see sort of the proposed budget, this biennial cycle that's subject to your approval.

I'll point out, in '24-'25, we're requesting an 8 percent increase in the operating budget. You know, inflation is its own factor by itself, which probably accounts for about half of that. Labor -- the cost of labor continues to go up. And

that's our biggest single expense here at the Port between our own staff and work orders to other city departments.

The inflationary pressure on labor continues to push up our costs. What's left are very targeted investments and improvements in our service levels and in economic recovery and race equity. And we'll talk about those initiatives. You'll see in the '25-'26 -- the second year in the biennial budget, the increase is much more nominal. Right. Once those changes are sort of in the budget, it flattens out in the second year.

The new initiatives -- and we'll go into detail -- basically, a new model for security, a new way to manage our parking lots -- and as Director Forbes mentioned, we think that can increase our net operating income from parking by about 50 percent -- and finally some investments in equity creating these promotional opportunities that are so critical to career advancement.

So we'll start with security. I do want to point out the table that you're looking at does not tie to any particular budget year. This is supposed to be sort of a before-and-after look. You know, security is going to take a couple years to implement this change.

So this is meant to point out that, while we're moving a lot of functions around or the way we delivery security, that net-net it's not costing us much. We think we can do this with a 2 percent increase. And what we're doing is we're shifting away from contracted security, which has served us well.

It's been flexible. It's been affordable. But we think we can get more quality with this new model. And that is creating four new security positions within the Port. These are Port employees: three guards and one supervisor. We're going to expand our relationship with the police department and leverage the Department of Technology through cameras and monitoring, very much like what a private-sector landlord would do.

Overall -- again, this represents about a 2 percent increase. So we think this is a really great value for us to increase quality. And it really hits right in the bullseye of our clean and safe waterfront. This is not just for Port staff and tenants. This really benefits all the tourism and visitors to the waterfront. I'm excited about this improvement.

The second change is in our parking lots. So currently, our parking lots are managed under a lease with a private operator where -- as a revenue-sharing model where the operator keeps about a third -- or keeps a third of the gross revenue and passes through the remaining two-thirds to the Port.

Through our research and discussions with the MTA, it looks like the MTA has adopted a much more profitable model, which we would like to pursue. And that is a larger reliance on multi-space pay meters in the lots. These are open

lots where you drive into -- they're not a downtown parking lot where there's a control arm and a booth.

But there will be a central pay station. That pay station will be managed by the MTA. And parking will be enforced by the MTA on that lot. We think that will cover most of the lots. There will be some, however, that still require an operator. Right. They'll be some combination of monthly parking or valet operations that need a physical presence.

In those cases, we'll be shifting to a flat-fee operations model where we collect 100 percent of the revenue but pay that fixed monthly cost. Again, overall, we think this will provide much better service levels. But I want to say all of this is still just an assumption in the budget.

We're still in discussions with the MTA. All of this will come back to you for approval in the form of an MOU with the MTA. So these are just preliminary estimates. But we really do think there's a tremendous return on investment here. Ultimately, we think that this will increase our net revenues by about 50 percent. That's fantastic return on investment.

The last component of our new investments in the operating budget are creating promotive pathways and some other work around race equity. In various departments, we're trying to fill the gap so that someone who comes in at entry level can ultimately throughout their career progress into management.

The place where we're most heavily investing in that is in maintenance. This is also our most diverse division. So currently, there's, I want to say, like 15 to 20 craft shops that specialize in their trades. They're all managed by a supervisor.

And then, between that supervisor -- those supervisors report up to one of two superintendents. And that leap is one that's too far to make from the superintendent role. So we're creating four new assistant superintendent positions. So it'll create that ladder of opportunity.

It'll also help us just deploy our resources better. Right. Like I said, there's 15 to 20 different skills. And getting the inventory in the right place across seven-and-a-half miles of waterfront is a lot of coordination and communication. So we think that extra layer will provide a lot of efficiency in how we deploy our resources.

We're also adding a machinist helper to help capital project delivery. So that's a new -- a great entry-level position. We're doubling the training budget so that our own staff can get the skills they need if they want to advance in their career at the Port. And finally, we're increasing the race equity training budget by 10 percent. So those are the main operating budget changes.

On the capital side -- this side is just to kind of give you some context in capital. Again, there's three big components of how we do capital planning here at the Port. First, we do a 10-year capital plan. We do these biennial budgets now. But in the in-between years, we do a 10-year plan.

And in that plan, we try our best to estimate the cost of bringing all of our facilities into a state of good repair and keeping them there for 10 years. So that number is \$2.25 billion. We also try to estimate how much would be available to fund that state of good repair and how much we're falling short.

And right now, the gap is about \$1.6 billion of unfunded state-of-good-repair need. So fast forward to now. What I'm presenting to you now is a five-year capital improvement program. That's where we actually take specific projects and try to slot them in, giving available funding to the appropriate years.

The first two years of those five years is the biennial budget that's before you for approval today. I will note, in the biennial capital budget, we are asking for your approval to appropriate Port funds. The GO bonds, which are such a critical component of waterfront resilience, are appropriated at the time you approve the bond issuances. So that's a separate piece that we'll come back to.

Okay. So the five-year capital improvement program is developed in coordination with all the divisions of the Port. We ask all the divisions to submit projects. We look through all the red-tag lists. We look at our asset database to see what the model suggests might be due for renewal in the next 10 years.

And then, we scrub all the projects. We make sure they have similar assumptions. And then, we get together as a group of deputies over the course of three days to rank all of the projects according to a number of sort of critical categories.

Of course, there's our maritime mission and impacts on race equity. But we also look at whether or not we need to honor -- this project honors a prior commitment. Right. A lot of times, we have commitments to regulatory agencies that we need to meet because they approved something for a prior project. So we consider that.

We, of course, prioritize anything that has a health and safety need -- or meets a health and safety need. We look at sort of the near-term benefit to fill vacant spaces and create ROI. We also look at the strategic long-term view of whether or not, over the -- we're the Port.

We're going to be around another 150 years. We also need to consider the long-term benefits that might not be cash-flow-oriented benefits. But they really address a big maintenance backlog or some other benefit. And then, finally, we consider whether or not the Port's contribution would also attract outside dollars through grants or development.

But any chance we have to leverage our dollars with other people's dollars, we tend to jump on those. So given those criteria and the ranking, the next two pages -- it's a big table. So I just split it up into two slides. This represents the five-year program.

Now, the -- one of the attachments to the staff report provides you details on each one of the projects, gives you an outline of the schedule and what sort of priorities it meets. I don't want to spend too much time on individual projects. But I do want to highlight a couple of important ones.

First, on the southern -- in the southern area and southern waterfront, the southern waterfront beautification fund -- I want to show that we continue to meet the beautification policy set forth by the commission. So it's an annual allocation to the southern waterfront beautification fund.

South Beach Harbor -- South Beach Harbor is a little unique. It is sort of a self-sustaining -- at least financially speaking, it's sort of a financial -- it's almost an enterprise department within the enterprise where any net operating from South Beach Harbor is reinvested in their capital needs. So that row represents their capital.

Let's see. Moving on to the next page, under Port wide, the facility assessment program -- this is -- we refer to this as FIRPA. It's a facility inspection repair program where we have teams of engineers look at our facilities and really get us a much better view of what it would take to bring that facility into a state of good repair. So we continue to fund that work. That's really necessary to make informed decisions about our facilities.

Dredging obviously is right in the heart of our mission, continues to be funded. I want to point out the -- in the biennial cycle, you'll see zeros in both years for dredging. It's because we have a balance in the current project that can cover the next two years of dredging needs. Our dredging needs are fully met by the proposed budget.

The other thing to point out is contingency. We certainly need that to meet unforeseen demands as atmospheric rivers seem to be the new norm. And we find leaks. So that's an important part of what's set aside every year. The project-management office helps us deliver those capital projects.

What you're seeing budgeted here -- you know, most project managers bill their time to the projects they're working on. There's a sliver of that time that can't be billed to a specific project. So that's in here.

And finally, the resilience program -- the resilience program has primarily been funded by Port direct investment of harbor funds. These have been smaller than GO bonds but really critical because they're flexible. And we've been able to provide them from basically day one.

So the proposed budget has \$1.7 million in the first year and \$2.6 million in the second year for continued support of resilience. On the waterfront development projects, the row there that says development projects for \$10.2 million and \$10.8 million -- these represent the city's cost of managing these projects.

They are reimbursed by the developer. So what you're seeing here is the expense only. If you look back on that -- there's that table that shows fund balance and revenues and expenses. You'll see that there's a revenue line that matches this expense line.

So there's basically a -- it washes out of the financial picture for us. The development capital contribution of \$16.5 million -- we spoke about. That red rectangle highlights the amount that we're including in the biennial budget that you're considering.

Again, the resilience program bond funds are shown sort of below that box because they're subject to a separate appropriation. Okay. I did want to touch base on the southern waterfront beautification with a little more detail. Due to some error on the side of the staff, the amounts appropriated to the southern waterfront beautification through FY '19-'20 had some errors.

In fact, we didn't appropriate any in '18-'19, '19-'20. I'm happy to report that, in this biennial budget, we will have fully restored the amount due to the beautification fund. You can see on the bottom line of this table -- and I apologize. The 2021 actuals are presented in a different format than the rest.

But we got to basically a \$6.3 million unpaid balance. And we started paying it back. You can see at the bottom right corner that unpaid balance goes to zero. So thank you for your patience as we paid that back through the pandemic.

So in addition to adding funding to projects, we actually need people and resources to develop -- or to deliver those projects. And we have a bit of a challenge. The first is -- you know, we have some Port funds that have been appropriated. But there's quite a few of them that have not been spent.

And the problem with that is construction costs go up by like 6 to 8 percent per year. And we earn maybe 1 or 2 percent interest. So as those funds sit there, they get us less and less of that project. The other component that we're concerned about is the stimulus that we've received has a December of 2026 deadline on it.

So what we're proposing in this budget is a number of temporary project-based positions to really almost double the throughput or the capacity of the project-management office. We've got -- let's see -- we have four -- five project-manager positions that are included.

We're also including more capacity in contracting. Also, in maintenance, we're adding an industrial hygienist that is critical to doing safety reviews on how things are built and the construction methods. So we really looked at the full sort of -- where all the bottlenecks were in the process now and are trying to address those through this budget with new resources.

Lastly, there are two policies adopted by the Port Commission that relate to the budget. First is a requirement that capital investment equals at least 25 percent of operating revenues. We don't -- the proposed budget does not meet that criteria. We have not met that criteria since COVID began.

And the actual number that we're achieving in this budget is closer to 14 percent when you average the two years. That compression of the net operating income is real. I think the 14 percent is probably realistic moving forward. But we have to consider, you know, as we're attracting in all these outside grants and outside dollars into capital, we're rethinking how we might rework this policy or this metric to make it more meaningful for the Port if all these outside dollars are where we're focused.

But that's subject to a whole separate effort that we'd have to come back to you with if we were ever to amend the policy. The last policy is about operating reserves. They're required to equal or exceed 50 percent of annual expenses. We blow that one out of the water.

At its lowest, we're at 126 percent of annual expenses. So again, that's our fund balance. We're doing great. And the bond-rating agencies love to see that. So that's a good one to always have in my pocket.

So a couple key takeaways -- again, the compression on our ability to fund capital will continue well after the pandemic. I think that's going to be one of the lasting effects and really drives our need to seek outside dollars. In that context where we have to trade precious dollars and decide whether it should go to operating or capital, we've made some really targeted investments specifically in economic recovery and the new security and parking models and also in race equity by pinpointing some places we can add promotive opportunities in the org chart.

For next steps, we'll be back here with an action item at the end of February for your approval. And with that, I'm happy to take any questions.

President Brandon: Thank you. Great presentation. Is there any public comment on this item? Seeing none. Do we have anyone on the phone?

No Public Comment on Item 11A.

Commissioners' Discussion on Item 11A:

Commissioner Lee: Great report, Nate. I think -- I mean, it's good news because, once we get the properties rented out, there's going to be extra revenue to play with. So that gives us a little breathing room. I thought we were going to be in the hole since that time.

I want to go over a few things that you mentioned. So on the security, you want to go more in-house, which is all right. I'm very up on security. Would that also include -- who is going to be in charge of the illegal vendors when it comes to security and things like that? Is that still going to be outsourced to public works?

Is that something we're going to take in house? Are we going to get the revenue from the tickets? Or is that something that we don't want to -- you know, we still want to pawn off to the other agency for? That's number one. I want to give you kind of a list so -- if you could keep track.

Nate Cruz: Okay.

Commissioner Lee: So the parking lot -- I'm on the board of the Portsmouth Square Garage board. And we deal with SFMTA. And they outsource their management. And they bid it out. And it's been good. And it's been bad. I tend to see, you know, just basically managing another group that kind of sits around, you know, sometimes.

But what failed is car break-ins still. When we had our in-house person do security to walk around, we had less car break-ins than giving it out to an outsource. So I'm just -- kind of put that on your radar about that.

As far as creating positions in the middle management, I really support promotions. But I also know that some of our outside departments -- SFMTA and whatever -- are kind of heavy in the middle management. So crisis happens, you know. Of course, they don't get laid off.

You know, they're in there. And suddenly, there's a struggle to keep that budget going during a crisis. So I just kind of caution how many extra mana -- do we actually have work for them to do rather than create these middle-road spaces? But I agree that people should be promoted in house. So that's that one.

As far as -- the budget's great. It's deployed well. Since we have to spend money, like you say, that we're supposed to be mandated to, I'd like to look at other opportunities that we can also make money from it, not just beautification like maybe more grass or more land space but something that actually -- you know, like I've mentioned before, an EV parking lot, you know, that helps promote energy-efficient cars. But at the same time, we make money from charging stations.

Since we have to spend the money anyway, maybe we'll make some money from that so I mean, certain things like that -- if we do have extra funds to look into. And as far as deploying your capital res -- for new managers -- maybe this is already -- I know we have one person.

But it'd be nice to have maybe a business-opportunity manager to see what small businesses -- maybe we have some land that's unused that maybe that person can maybe find somebody in the district that might want to open something. You know, that's probably another position that could be well utilized. And I guess that's it for me.

Director Forbes: Nate, can I help you with the answer to the first two questions?

Commissioner Lee: Yeah.

Director Forbes: And then, you take it from there? And Mike Martin and Kyle Thomas might want to step in. On illegal vending, it's a bit of a complicated statutory or legal situation or context whereby Department of Public Works really does need to be there with us.

The citywide ordinance empowers them for illegal vending enforcement. That said, the Department of Public Works definitely does not do vending enforcement on their own. They're with us with our security teams, with the public health department, sometimes with the fire department.

There's also unlicensed vending related to cannabis and alcohol that does not require the public works department or the public health department for that matter. And we can effectively deal with that with the police department. So there's different kinds of vending depending on who is out there.

But there's much in the security program that has us leaning in to unlicensed vending, which we've been doing for some time. But we want to continue to amplify our efforts in preventing unlicensed vending from Port property. Anything else to add?

Mike Martin: I agree with all that you said. I think, just to be crystal clear about these increases in security staffing, they would not be -- they would be more about after-hours and weekends coverage for Port property overall and not the vending hotspots.

But the goal would be to have these people in house so that, if we need that kind of resource, we would have that in addition to these interagency resources.

Director Forbes: Thank you. That's a really important clarification. On maintenance and middle management -- so we are sensitive to the concept of

over-bloating management or being too heavy on middle management. We like to definitely invest in line staff. There is no doubt.

But what we've seen is that Pier 50 doesn't have middle management. And we do at Pier 1. And so what we've been seeing through our equity lens is there is a lack of opportunity because those middle management positions have not been afforded to the maintenance division the way they have to our "professional ranks."

So we want to undo that situation. And we do believe there is very big utility in having these positions in place to lead the resource allocations, to do planning on the work, to look at the cost estimates, to work on team, to work through problems. There's just so much that helps with one person that has that proactive job of team management. So we think it's going to take us a long way.

Commissioner Lee: Okay.

Nate Cruz: And Commissioner, I'd add the -- we do an annual race-equity survey. And what we hear every year is the lack of promotive opportunities. So we're hearing it from Port staff that this is a need. We're definitely a lean organization. And this is not adding yet another layer of middle management.

Your other questions about new ways to generate revenue through maybe an EV parking lot or also creating a role to serve as sort of a business-development role -- I'll take that back to the real estate team. And we'll look at maybe opportunities and whether or not we think that there's a way to carve out resources for that and get back to you at the next hearing if that's okay.

Commissioner Lee: Yeah.

Nate Cruz: Okay.

Commissioner Lee: Thank you.

Nate Cruz: I think I got all your questions. But let me --

Commissioner Lee: Yeah.

Nate Cruz: -- did I miss anything?

Commissioner Lee: I mean, there's a need. Let's go for it, you know, if there's a budget. I just don't like too much, you know, unnecessary things. But if it moves us forward, I'm all for it. Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you, President Brandon. Thanks so much to you and your team, Nate, for putting all this together. And kind of by definition, we always focus on what's changed. That does not mean we don't love all the rest of you that did all this work to put the budget together even though we're not asking about specific things about your divisions today because we're looking at things that are changing. But thank you for all the work getting it together and making it happen.

In terms of staffing, I guess a couple things -- we've had a briefing. I appreciate that. But to confirm kind of publicly, out of all the substitutions and all the things else going on, I understand there's no negative impact on any current staff. Is that true?

Nate Cruz: That's correct.

Commissioner Harrington: Okay.

Nate Cruz: Nothing we're proposing would eliminate any existing positions at the Port.

Commissioner Harrington: That's great. Thank you.

Nate Cruz: Or I'm sorry -- would not affect any current employees at the Port.

Commissioner Harrington: Right.

Nate Cruz: Yeah.

Commissioner Harrington: Filled positions.

Nate Cruz: Correct.

Commissioner Harrington: Actually, I like the -- if you don't have staff, you can't do your projects. So adding engineering staff, contracting staff makes perfect sense. I think it's funny to listen to the whole discussion of middle management because it was like the thing you couldn't have is middle management. You've got to get rid of them all.

I don't think we realized how it just disrupted career ladders for people. So yes, they don't just get created because we like to have them but idea that they can do work and that they promote that kind of career ladder I think is a wonderful thing. So I'm in favor of doing that.

And I think, to protect them, we have to make sure that they're valuable and they work and all that stuff happens. But I do think the pendulum is swinging again, which I think is probably a good thing.

On a couple of the other things going on -- on the security, I totally get how contract security can be really not what we need. I think that the city has done so many different things in terms of security. You know, we have police. We have sheriff. We have park police. We have patrol specials. We have one left, but people want to add more to that.

We have community ambassadors and CBDs. We have all these different ways of doing it. And nobody has found, they think, the right way to do all of it. I'm happier in some ways to have our own security people protecting facilities to the extent that they would actually be on the street doing things.

I think that opens us up to different discussions about training and supervision and risk management and all of that. So as you start to work that through, I'd love to have you kind of come back and make sure that we all kind of get what it is they're going to be doing. And does it all work the right way and why none of the other kind of options the city has would necessarily work for us?

I get -- you know, sheriff is overworked. And they're all on overtime and so is police. But there are other ways of doing this and just to make sure that we kind of pick the right way. You know, when you only have three people and one manager, it gets back to that career advancement again.

It means that it's harder to attract and retain people if there's no place to go, you know. So can we fit in with a larger way of doing it in the city? Or are there other choices, I guess, is the question.

On the parking, you know, again a 50 percent increase in revenue is kind of stunning. We do have -- we have a reputation, I think, appropriate that we are anti-car in San Francisco. But I don't think we want to add to that by doing this. And a 240 percent increase in citations certainly looks like that.

So as we're doing this, if we can talk about the efficiency of doing it right as opposed to the discouragement of driving, you know, or the discouragement of bringing people into the Port areas from a variety of ways of doing transportation, I think that would be good.

And again, since it's so big, again I think kind of periodic reports of is it working -- is this -- you know, the security issues that Commissioner Lee brought up and other things I think will be important as we go down that path to make sure that really is doing the things that we need to get done.

But I appreciate why you're doing it. I just want to make sure that we kind of get it and can keep track as it's happening. And the idea of re-looking at that capital-investment-reserve policy or capital-investment policy, yeah, quite open to that. So thanks for looking at that. Thank you.

President Brandon: Thank you. Vice President Gilman?

Vice President Gilman: Well, thank you, Nate, for the report and for the budget. I'm really grate -- a lot of my questions got asked or answered through fellow commissioners -- just wanted to echo how I think incredible it is to be sitting here as someone who runs a large nonprofit that you have over 127 percent of your annual operating budget in reserve.

I really think we need to note that as an enterprise department and remind the public that we're not a general fund department, that taxpayer dollars are not going to support our staff. I know I might be putting you on the spot, or maybe Director Forbes knows too.

But working assumption has always been, compared to other departments that have similar reaches of geographic reach and depths and trades, that we're pretty thinly staffed because I really support the increased staffing for the department actually.

Do we have any idea what the staff of -- I don't know what a good comparison would be, you know, who has infrastructure -- you know, park and rec or PUC or someone -- what their headcounts are?

Director Forbes: Everyone tells me we're small when I give our staffing numbers, surprisingly small. Like no other department head can believe it actually because of the span and impact --

Vice President Gilman: Right.

Director Forbes: -- of the Port's properties. Our sister agencies are often much larger than we are for reasons because their portfolios are much larger than ours. It's hard to find an equivalent department to the --

Vice President Gilman: What's our headcount again --

Director Forbes: -- Port of San Francisco.

Vice President Gilman: -- Director?

Director Forbes: Two th -- our headcount?

Nate Cruz: Yeah, 220-230.

Director Forbes: Two -- 230.

Vice President Gilman: So -- yeah. I could be completely wrong. So hopefully, you know, those department heads don't like throw something at me. But I do believe that the Planning Department or the Department of Homelessness and Supportive Housing actually tops over 230.

While they do direct services, they mostly administer funds. So I guess I just want to use that as a counterpoint that I think we're doing really incredible work with a pretty thin team. So I was happy to see --

Director Forbes: Yeah. We're [a small] --

Vice President Gilman: -- that we're upping our staffing. That's just my personal point of view. And particularly in this way, I -- I love the idea of coming back and getting maybe a larger overview and a presentation now that we have a newish head of security, if that's the right title -- I apologize, sir -- for the Port -- you know, sort of how we're doing that because I do think it's important.

I think it dovetails to the parking. You know, there have been a lot of -- some concerns raised to me particularly around the parking lot near the Exploratorium. And one of the things I have said is that, you know, we don't operate that. Or it's third-partied out. So if we're going to take back parking and play a bigger role, we have to ensure safety to a level [we can in] car break-ins.

And I agree with Commissioner Lee. We can't rely on SFMTA to do that. So it's just one thought I had. But I'm happy to look at the policies again too. So thank you for this budget.

Commissioner Harrington: We have 250 employees. Rec park has 975.
[laughter]

Vice President Gilman: How many does the Department of Planning --

Commissioner Lee: And we get more work done. [crosstalk]

Vice President Gilman: -- [have]?

Commissioner Lee: More work gets done here.

Director Forbes: Yeah.

Vice President Gilman: Look how great he is on this.

President Brandon: I know. [laughter] [crosstalk]

Vice President Gilman: [Like] I want his superpower [to do that]. [laughter]

Commissioner Harrington: I have it some place here. [Where did it go]? Public health has 7,700 --

President Brandon: Wow.

Vice President Gilman: Well, that's different. Well, that's the hospitals.

Commissioner Harrington: City Planning has 202.

Vice President Gilman: Yeah. And they just plan. So I mean, we're actually doing things. [laughter] So I say that with love -- [crosstalk] [laughter]

Director Forbes: One of the things around our staffing size I can share with you is, when I look to other department heads to talk about how they're doing contracting or how they're doing, you know, design work or engineering work, I always find their staffing is so much larger, you know, so much more intricate in terms of positions and contract support.

We have a lot of one-chair seats in our organization. And I think we are very thin. And I think we're very thin because we've been, frankly, underwater with our assets for as long as we can remember. And that's held down our capacity to grow.

So that's one of the reasons why we work on having a great work environment because we have chairs that are really full of work. And we have to work on life balance and support for our staff and figuring out succession planning and backup planning for those one-chair assignments. So I think you're right, Vice President Gilman. We are thinly staffed as city agencies go.

Commissioner Lee: But I think, because you're thinly staffed, you have a more efficient team because, when you're too big, you have to wait for too many people to make up their mind. And I hate waiting for things. Okay. So that's why this staff is so good compared to other departments that I have to deal with because I can get an answer right away.

Things are followed up right away. But yeah. Maybe the workload might be too much. Let's add a few people. But I don't believe that a huge staff really makes a place better, honestly.

President Brandon: Small but mighty. [crosstalk] We have great staff. Nate, thank you so much for this budget. And thank you for briefing me in advance on the budget. You've done a great job in explaining our operating budget and what the plans are for the next year.

I like the new initiatives with the improved security in house, the parking model -- the enhanced parking model hopefully that w -- less citations. [laughter] And the promotion pathways -- I think those are all great new initiatives and will enhance our budget.

So in our discussions, you and I have talked about the fact that, you know, the devil is in the details. And I really want to understand, as we discussed, the resilience is a multiyear, multigenerational opportunity for the Port and really want to understand what the budget is.

What's the annual budget? What's the biannual budget? What are we doing with these funds? So how you present the operating budget would be great to see that presented with the resilience funds.

Nate Cruz: Thank you, President Brandon. This has been a challenge for us. We're in such early stages with this mega project. And we continue to provide reports at a -- you know, with normal capital sort of categories, planning and design. But it feels different. Right. This is a much bigger project.

And in the near term, it's still going to remain in sort of early times. So we're certainly going to go back and try to think of a different way to present to you the work that we plan on achieving in the next -- you know, during this biennial cycle in a way that doesn't fit maybe into the traditional capital reporting but gives you some milestones and some transparency.

You know, so at the end of the budget, you can say -- you know, you can measure our progress. And we can show you what we achieved and if we achieved our plan. But we certainly need to make some improvements on that front.

President Brandon: Well, if we're asking for \$70 million, we have to know what we want to do with that \$70 million.

Nate Cruz: Mm-hmm.

President Brandon: So I would think it would be easy to say this is what we plan to do with this \$70 million this year. And then, we'll know at the end of the year if we achieved that goal or not.

Nate Cruz: We're working on preparing that information for you.

President Brandon: Okay. So you may have that by the next meeting? Or is this a long-term -- I just think --

Nate Cruz: I'm going to do my best.

President Brandon: -- I think I've been asking for this for a few years. And I would just love to see, during the budget time -- because it's our only opportunity when we see everything -- one big picture of everything, to -- the resilience has to have a budget. There has to be some transparency into -- not case by case, not project by project. But what is the overall goal?

Nate Cruz: Mm-hmm.

President Brandon: So that's what I'm requesting again. And hopefully, we can try and find some solution to presenting to us what exactly we're doing with those funds as we do our operating budget. And also, with the southern waterfront

beautification funds -- I mean, it's great to know that we're catching up on past-due rent. And it's great to know that we're putting a certain amount in this year. But where are we? What's the balance of the fund?

I know we saw, at the last meeting, a proposal for expending funds. But how does that -- is that this year? So it'd be great just to see a budget overall, annual when we do our operating, our capital, to see a resilience budget, to see the beautification budget because those are separate pots of funds. So for me, it would just be great to see an overall of all the funds we're discussing within the budget for these cycles.

Nate Cruz: For the southern waterfront beautification fund, we're already working on that based on our discussion during the briefing. So I will definitely have that for you by the next hearing. And we will do our level best to get you that sort of resilience plan for the next few years and where that money will go by the next hearing.

President Brandon: Thank you. I really appreciate it.

Nate Cruz: Yeah. I appreciate your patience with us on this. We have had this conversation before. And we tweaked how we presented, but we'll get there.

President Brandon: Thank you. Vice President Gilman?

Vice President Gilman: I'm so sorry. On that note -- because that is like the biggest tranche of restricted funds we're going to get for our project, it would also just be good to note that -- which I just don't know. It's a blind spot for me completely. We did not discuss this at the briefing.

But if those funds -- if that \$70 million is going to add surge staffing or surge positions, I think that's the other reason why it'd be so helpful to show it during this time, so we can understand that interconnectiveness sort of the way you did at the very end with those capital positions that you said might phase away. I think having that connection is important.

Nate Cruz: Okay.

President Brandon: And one question I forgot to ask on the last item -- but it's all about funding. When we go for our appropriation, do we have to have our match available when we get that appropriation? Or --

Brad Benson: So Harper would be the better person --

President Brandon: Okay.

Brad Benson: -- to answer this. But I'll explain what I know because this is in front of us. The Army Corps, after you get your project authorized, requires you

to enter into something called a project partnership agreement. And there's a standard sort of form agreement that they present to local communities.

It's really difficult to negotiate changes to that agreement other than the scope of what's being conducted under it. And usually, there's one for design. And then, there's one for construction. And part of that agreement is requiring evidence that the local partner has the funds to match up with the federal funds that are coming.

So it's not necessarily a prerequisite to the appropriation. But -- so the Army Corps can get the money from Congress. But they can't spend it until you show --

President Brandon: They can't give it to us --

Brad Benson: -- that you've got --

President Brandon: -- until we -- [crosstalk]

Brad Benson: -- your funds lined up.

President Brandon: Okay. Got it.

Director Forbes: And sometimes, you have to write them a check. So we had this on Pier 36 -- right --

Brad Benson: Yes.

Director Forbes: -- the removal project. And we -- because they were performing the work, we needed to cut them a check 30 days after the commission approved that agreement. That surprised me and [John Wu] at the time very -- a lot. But depending on who is performing the work, we may have to actually transfer the funds at that point.

Commissioner Harrington: But it also -- I mean, when we say local match, that could be state funding. That could be a variety of funding. It isn't necessarily city funding. And there's also -- in the feasibility study, it had our 35 percent being \$4.7 billion. \$1.3 billion was in kind, land easements, right of way, services, those things. So there's different ways of play with some of it too.

Brad Benson: And this is a major question that everybody in the city has about how we're going to address that local match. And we're starting those discussions with Director Forbes. And we'll branch out to other city finance leaders. And we'll back to you to try and paint a picture about how that works in more detail.

President Brandon: And this is a bunch of questions. Thank you. Thank you, Nate. Great job. And we look forward to you coming back in a couple weeks.

Nate Cruz: Thank you.

President Brandon: Next item, please.

13. NEW BUSINESS

Director Forbes: I have recorded two items. One is an update on the performance of the parking program, should it be approved in the budget. And the second is to provide a budget on the resilience program at the next item to approve the budget. Is there any other new business?

President Brandon: And beautification.

Director Forbes: And beautification.

Vice President Gilman: I think it would be good at some point to get an introductory overview of the fact that security is in house now. We're adding these positions. Kind of like what's the framework of how we want to engage with that and how we're also going to incorporate our equity framework?

So I don't know if it would be a joint presentation between the head of that division and our equity officer. But I think that might be really important for our values at the Port.

Commissioner Harrington: Yeah. Yeah.

President Brandon: Any other new business? Can I have a motion to adjourn?

14. ADJOURNMENT

ACTION: Vice President Gilman moved to adjourn the meeting. Commissioner Lee seconded the motion. All commissioners were in favor.

President Brandon: Meeting adjourned at 5:49 p.m.