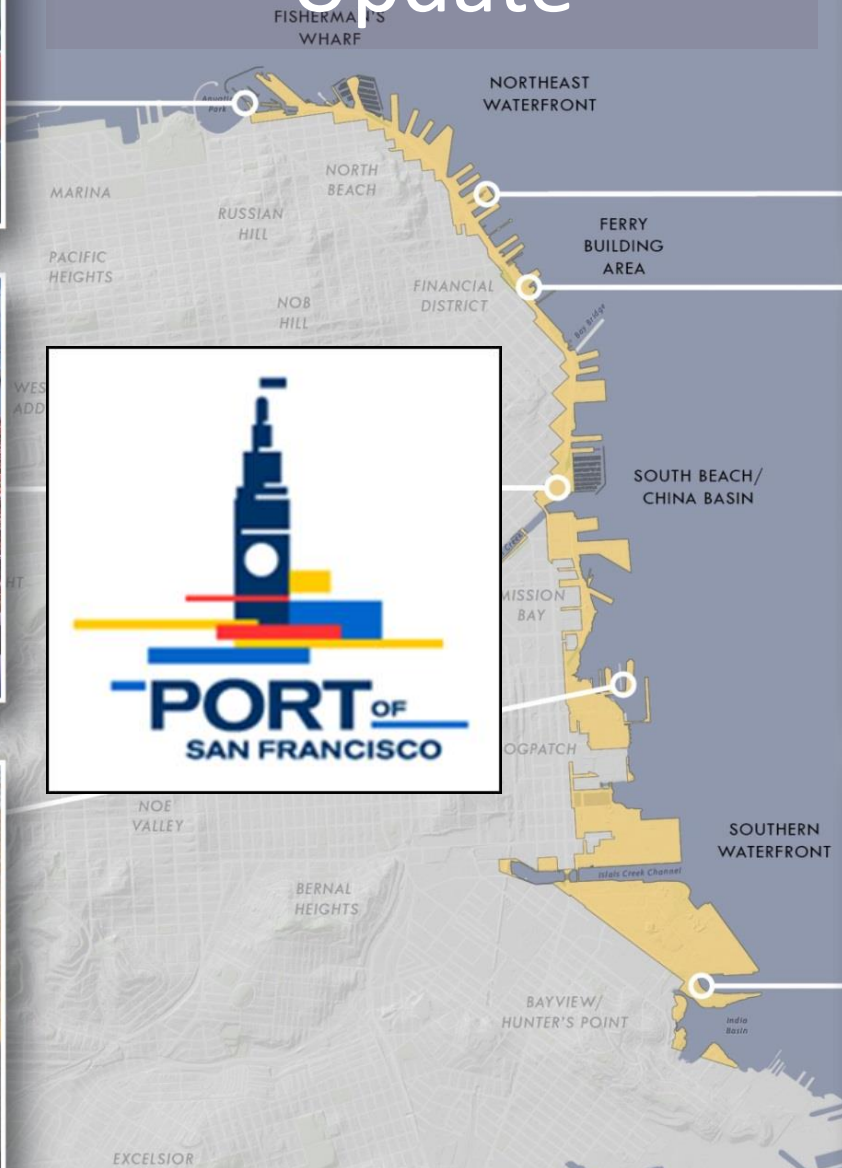


Waterfront Plan Update



SUNSET DISTRICT





Waterfront Plan Update POLICY ISSUES

www.sfport.com/wlup
Waterfront Plan Update Project

FINANCES

What are the Port's existing and future revenue sources? How does the capital and budget process advance Waterfront Plan objectives?

SEA LEVEL RISE

How should the Port manage and prepare for climate change and sea level rise?

SEISMIC SAFETY

How should the Port strengthen the 4-mile Embarcadero seawall and improve seismic safety?

ENVIRONMENT

How should the Port update policies for environmental protection and sustainability?

HISTORIC RESOURCES & PORT FACILITIES

How should the Port prioritize investments in repair, maintenance and replacement of Port facilities, including historic resources?

OPEN SPACE

How can we expand recreational open space activities? How do we improve the Embarcadero Promenade and public realm that complement transportation improvements?

MARITIME BERTHING

How do we balance the needs of maritime berthing and accommodate more public access on piers?

TRANSPORTATION

How can we prioritize transportation services and improvements?

DEVELOPMENT

How much is left to develop, what are the priorities for such development, and how can the review process be improved?



Port of San Francisco

Waterfront Land Use Plan: Financial Overview

David Yu photography

March 9, 2016

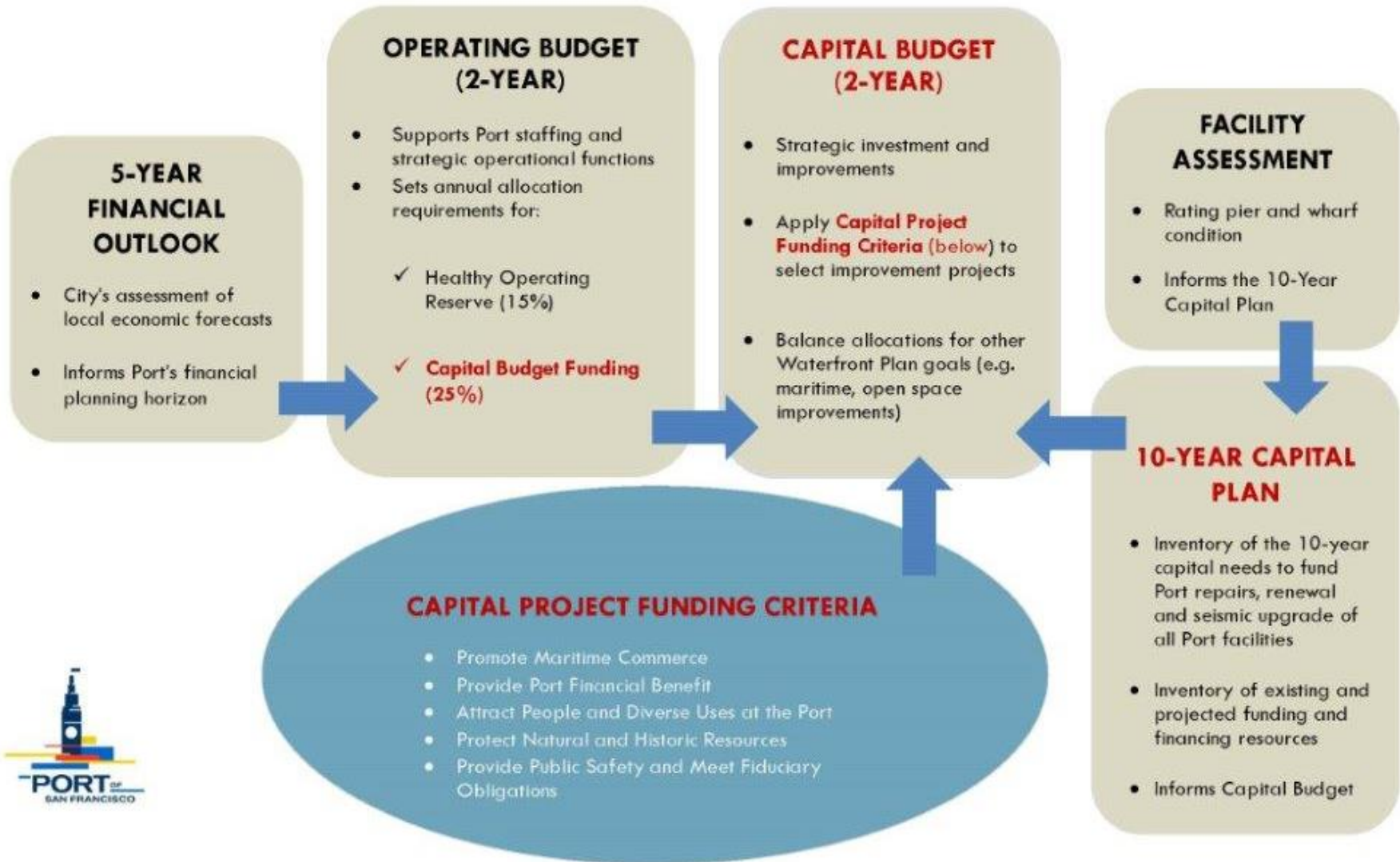
Elaine Forbes, Chief Financial Officer

Meghan Wallace, Finance & Procurement Manager



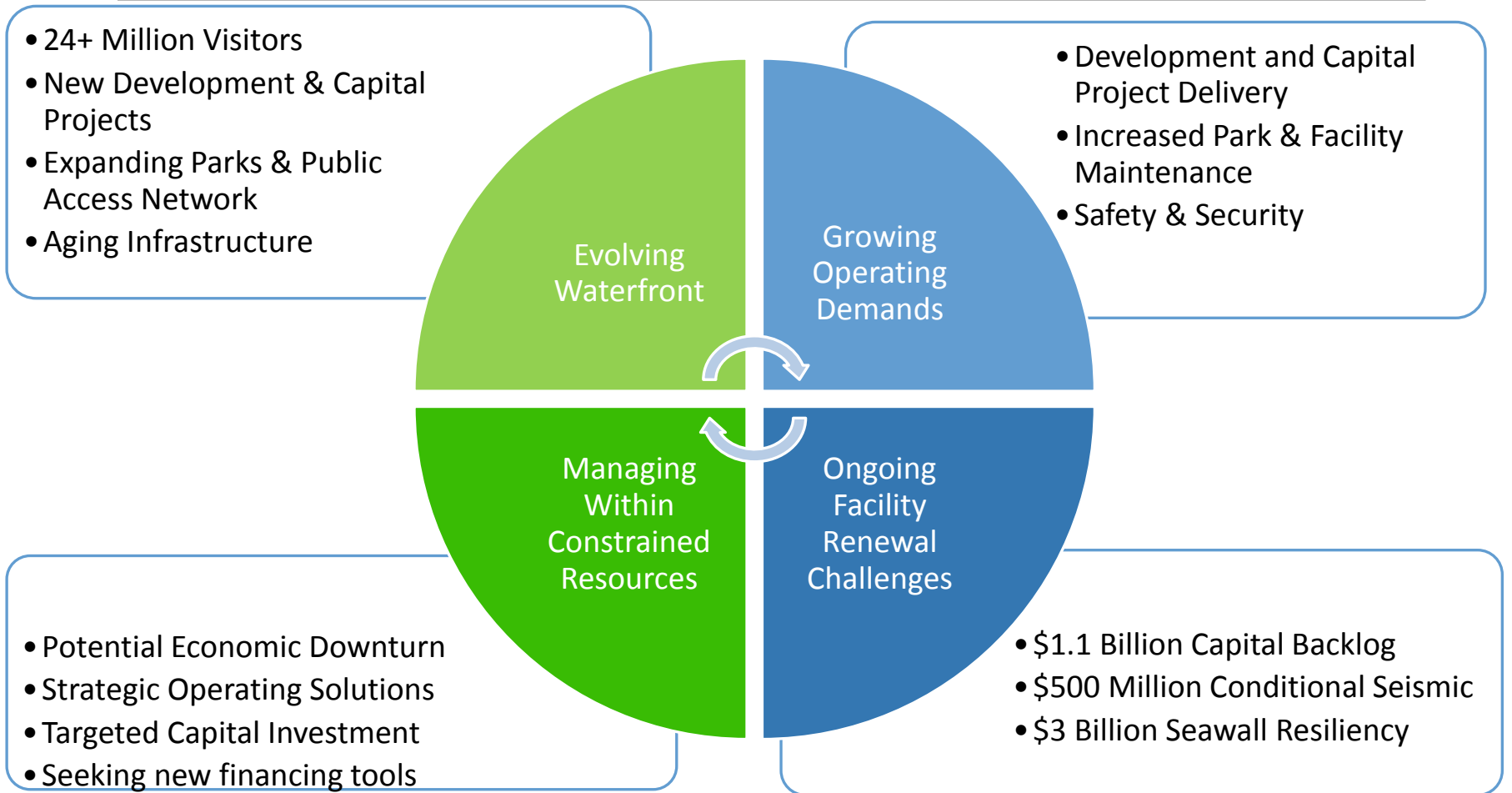
Port Operations and Capital Investments

Align with Waterfront Plan Values



Port Financial Overview

Balancing Needs with Limited Resources





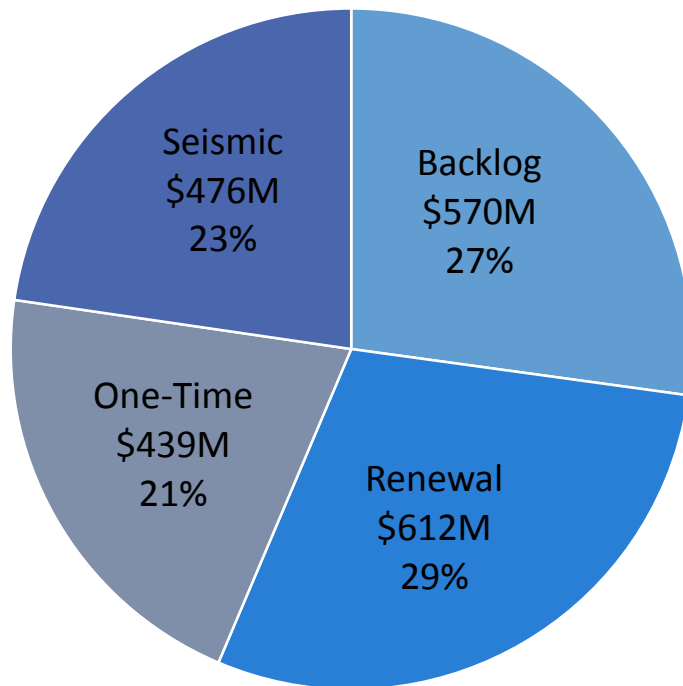
10-Year Capital Plan

- ✓ INVENTORY OF INFRASTRUCTURE NEED
- ✓ PLANNED DEVELOPMENT & OPEN SPACE
- ✓ IDENTIFIED FUNDING SOURCES
- ✓ OPPORTUNITY TO EVALUATE STRATEGIC DIRECTION

10-Year Capital Plan

Inventory of Infrastructure Need

State of Good Repair: \$1.6 Billion
Conditional Seismic: \$0.5 Billion



Backlog = deferred maintenance

Renewal = repair and/or replacement that will arise in the coming 10 years

One-time = non-cyclical items, new code requirements

Seismic = may or may not be triggered by change in use or major rehabilitation

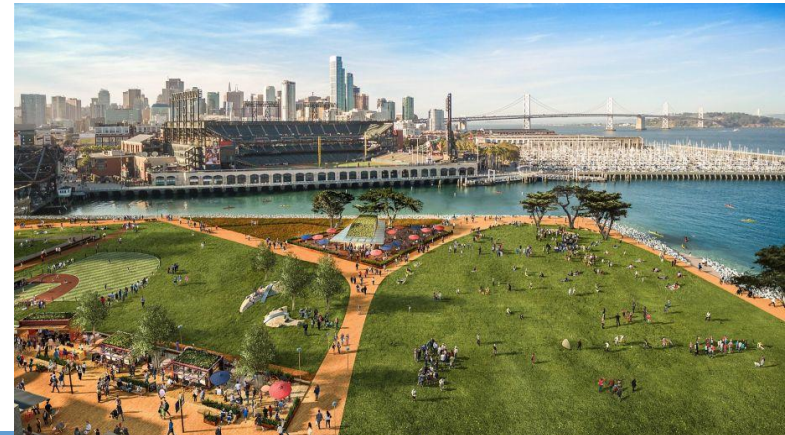
10-Year Capital Plan Planned Development & Open Space

\$356 million of total uses are related to enhancements within:

- ✓ Open Space
- ✓ Development Projects

Assumed investments are fully funded through:

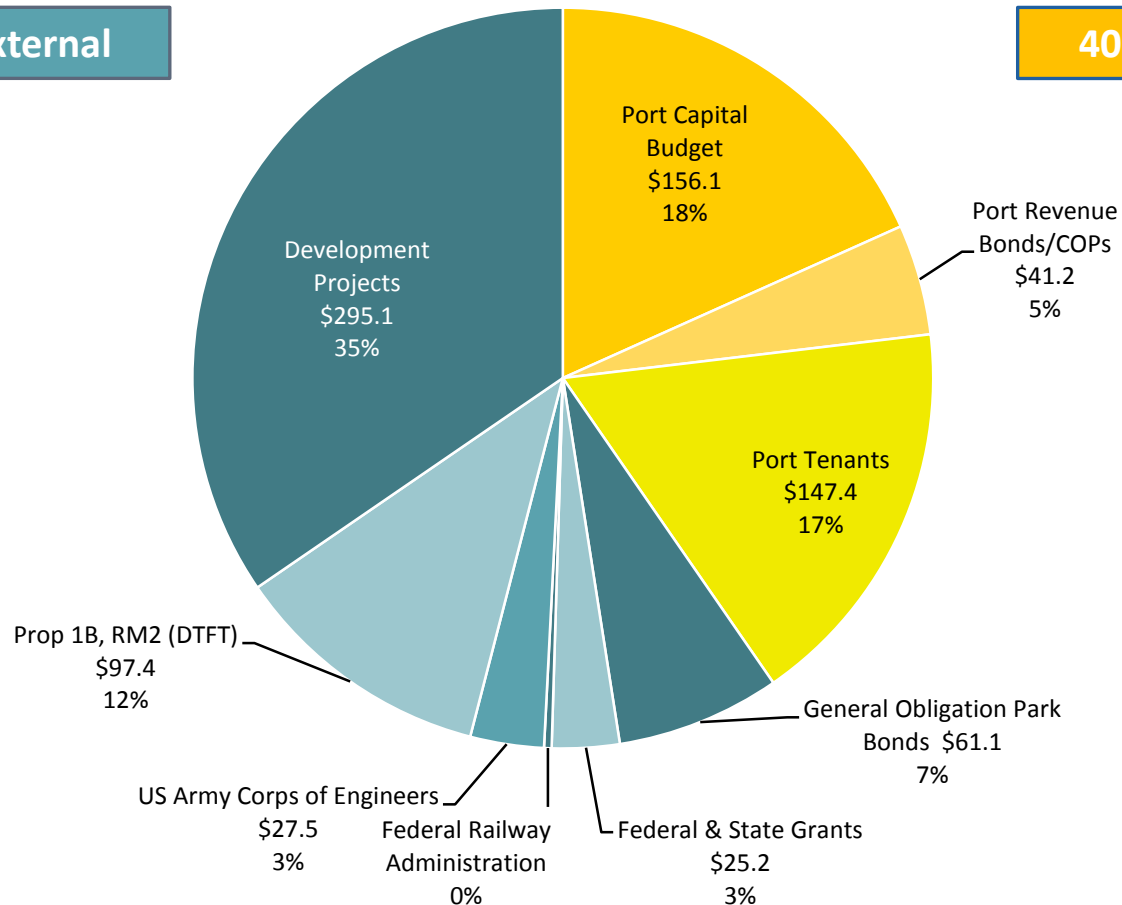
- ✓ General Obligation Bonds
- ✓ Development financing plan sources



10-Year Capital Plan Identified Funding Sources

60% External

40% Internal



10-Year Capital Plan

External Funding Supports Enhancements

Funding Source		Repair	Enhancement	Total
Internal	Port Capital Budget	\$139.5	\$16.6	\$156.1
	Port Revenue Bonds & COPs	41.2	-	41.2
	Port Tenant Improvements	147.4	-	147.4
	<i>Subtotal</i>	<u>\$328.1</u>	<u>\$16.6</u>	<u>\$344.7</u>
External	General Obligation Park Bonds	5.6	55.5	61.1
	Federal, State, & Local Grants	35.5	117.4	152.8
	Development Projects	119.0	176.1	295.1
	<i>Subtotal</i>	<u>\$160.1</u>	<u>\$349.0</u>	<u>\$509.0</u>
Total FY 2015-2024 Plan		\$487.9	\$365.8	\$853.7

10-Year Capital Plan

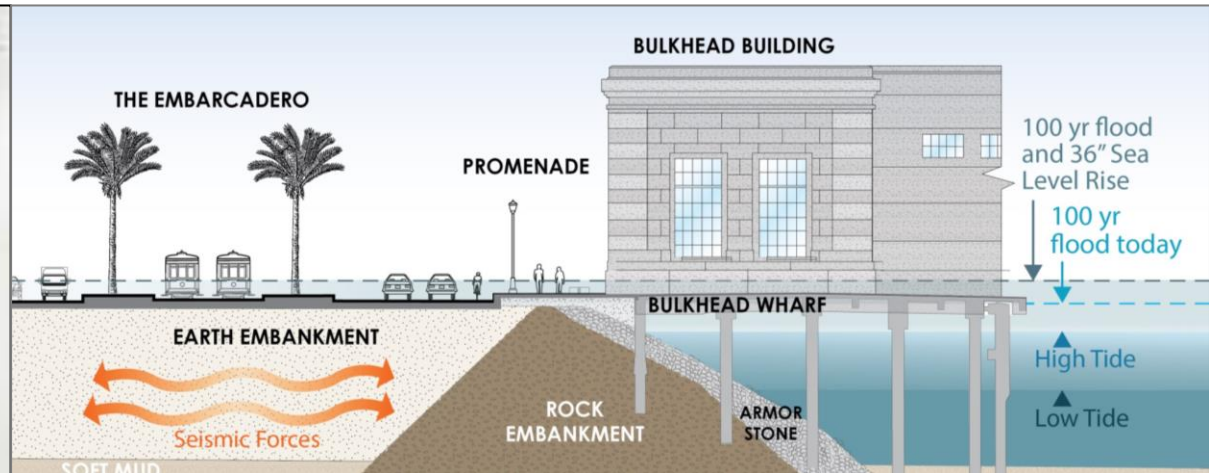
Seawall Resiliency

The Seawall is not reflected in the current Capital Plan, ~\$3 Billion

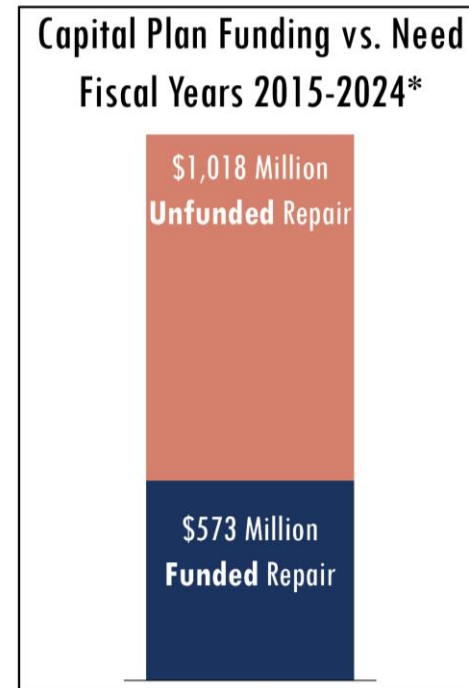
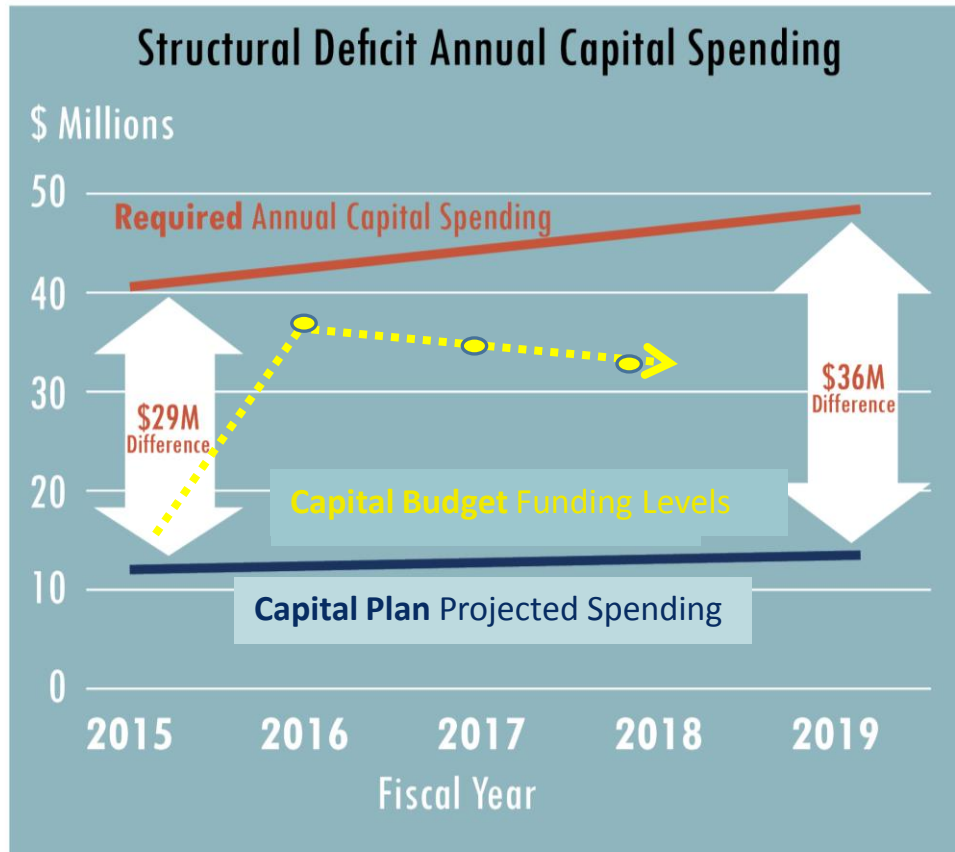
Critical aging infrastructure that defines the waterfront, supports the Embarcadero and protects the City's Downtown

The Mayor's Office is supporting efforts to develop a financing plan

- Port Harbor Fund will have limited ability to support project
- Will rely heavily upon public financing tools



10-Year Capital Plan Investment Requirements



*Excludes: Seismic Upgrades,
Seawall Improvements &
Sea Level Rise Improvements



5-Year Financial Outlook

- ✓ ASSESSMENT OF BUDGET STABILITY
- ✓ ECONOMIC TRENDS AND RELATED REVENUE IMPACTS
- ✓ OPERATING EXPENDITURE TRENDS
- ✓ IMPACTS OF STRATEGIC INVESTMENTS
- ✓ IMPACTS OF NEW OBLIGATIONS

Financial Outlook

Port Financial Strategies

Citywide Outlook

- Near-record period of economic expansion
- Conservative projections for continued revenue growth
- General Fund expenditure growth will outpace sources

Port Outlook, Base Case

- Ongoing strength in the Port's revenue growth
- Controlling growth in operating expenses
- Port fiscal policies will keep budget stable

Port Financial Strategies

- Targeted capital investments will increase revenues
- Additional income will lead to further capital spending
- The Port must consider impacts from the WLUP and Seawall

Financial Outlook

Potential Scenarios

Base Case

- Citywide assumptions for expenditure growth & economy
- Continuation of Port revenue trends and projected activity
- All Scenarios meet Capital Policy and 15% Operating Reserve

Low Case

- Economic downturn, leading to reduction in revenues
- *Reduced capital spending*

High Case

- New leases from capital investments
- High cruise performance
- *Increased capital spending*



2-Year Budget Overview

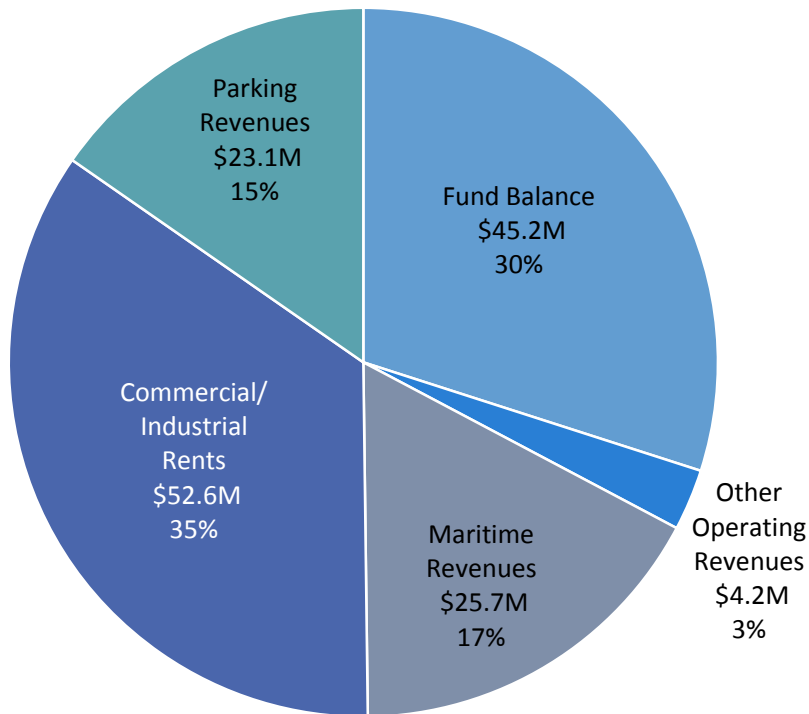
- ✓ SUPPORTS OPERATING PROGRAMS
- ✓ CAPITAL INVESTMENTS \geq 20-25% OPERATING INCOME
- ✓ OPERATING RESERVE \geq 15% OPERATING EXPENSES

Budget Overview

Fiscal Year 2016-17 Sources & Uses

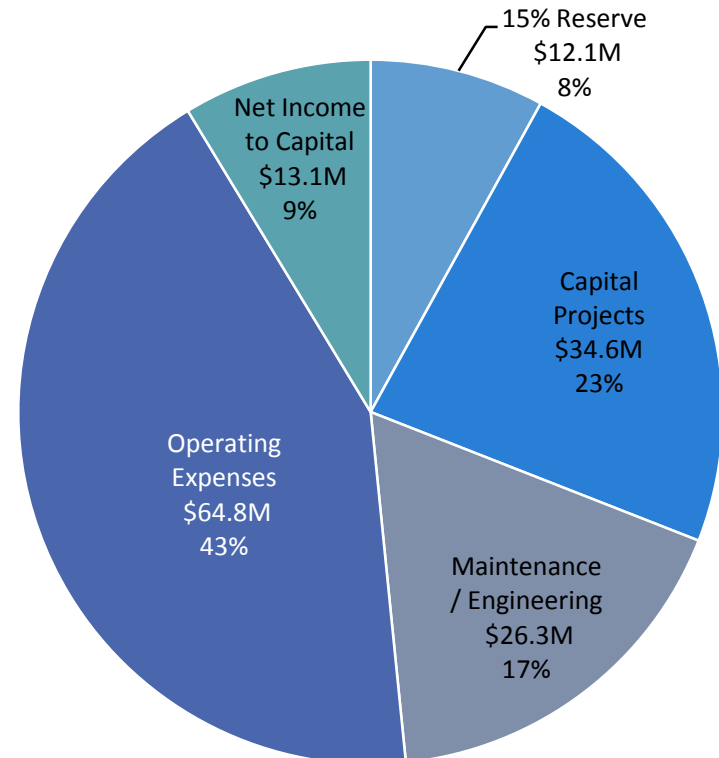
Funding Sources

\$150.9 million



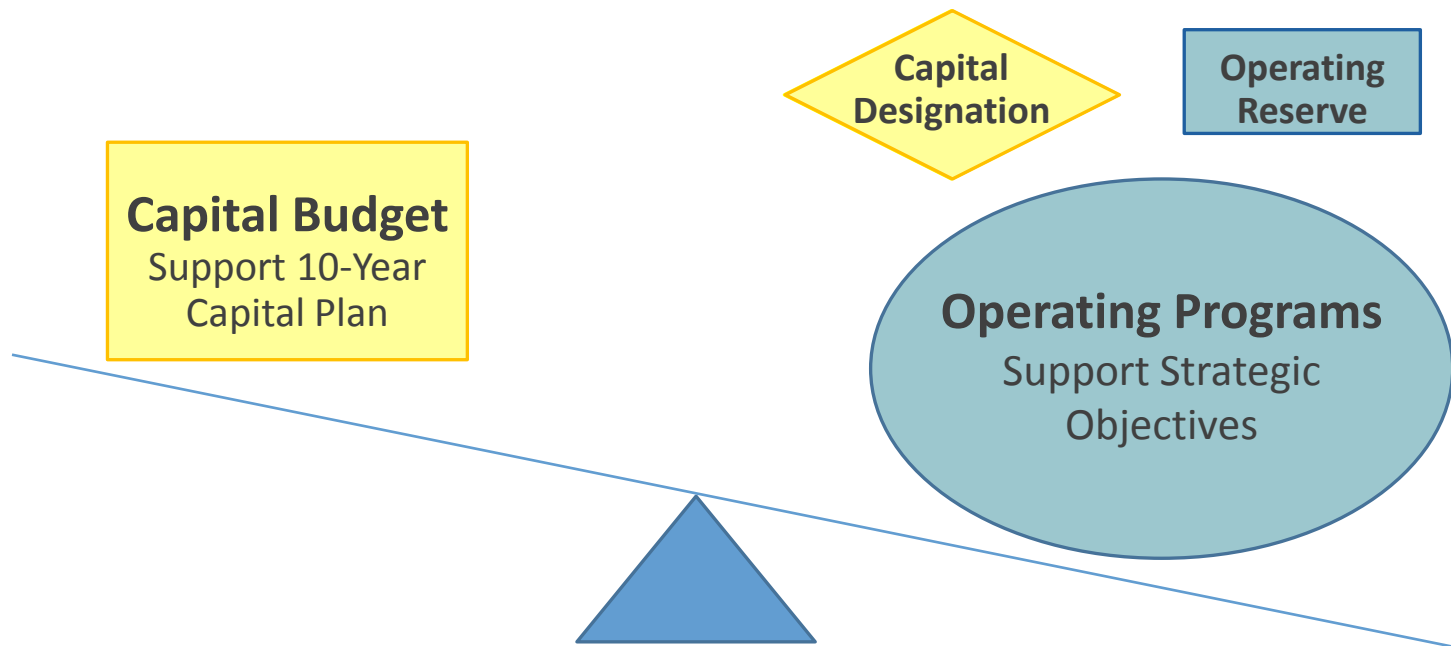
Use of Funds

\$150.9 million



Budget Overview

Balancing Operating & Capital Needs



The Budget Balances Operating Priorities with Capital Needs

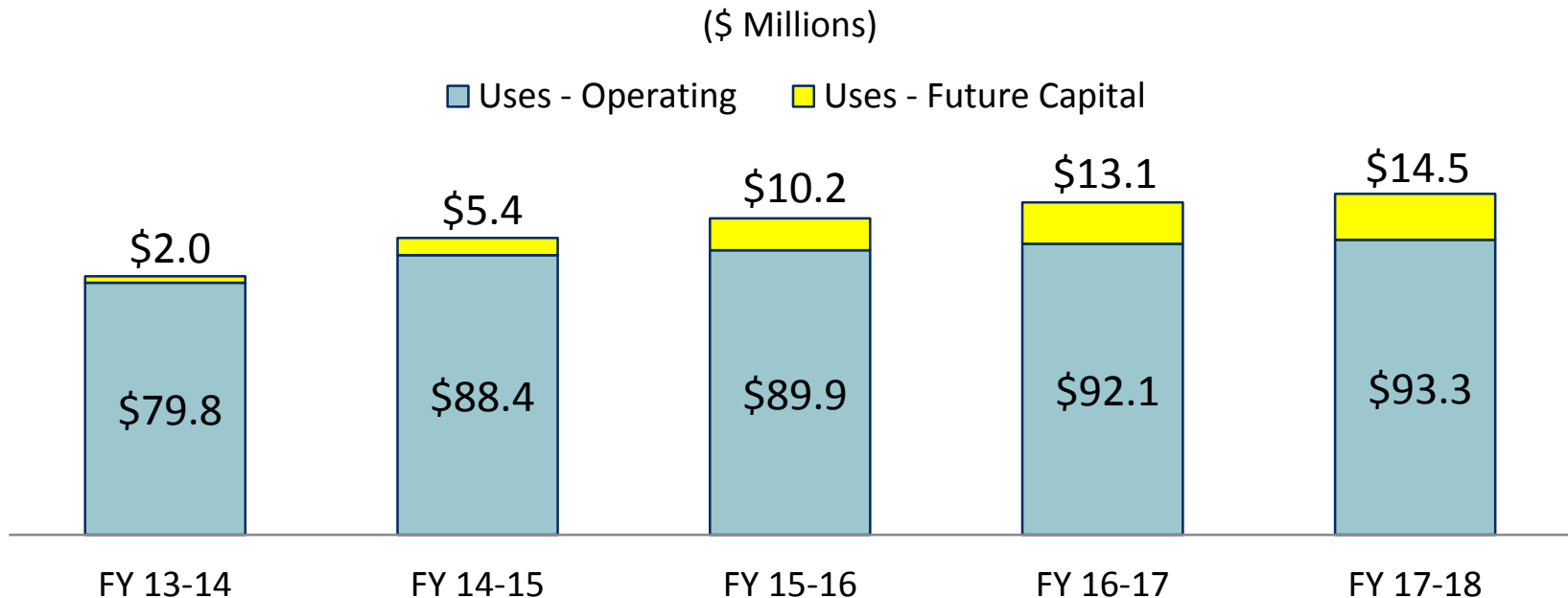
Capital Designation directs operating revenue to future capital budget

Operating Programs support mission and strategic objectives

Operating Reserve supports financial stability

Budget Overview

Prioritizing Future Capital Investment



Limiting Operating Expenditure Growth

- Protects the Port during next economic downturn
- Allows the Port to prioritize capital investments



2-Year Capital Budget

- ✓ FACILITY REPAIR & REPLACEMENT
- ✓ CRITICAL INFRASTRUCTURE
- ✓ STRATEGIC INVESTMENTS
- ✓ WATERFRONT ENHANCEMENTS

Capital Budget

Process and Scoring Criteria

Capital Project Technical Review Committee

- Comprised of key Port staff from all Port divisions
- Reviewed and scored \$83.3 million in capital project funding
- Scored projects based upon criteria developed for the ten-year capital plan

Scoring Criteria Include:

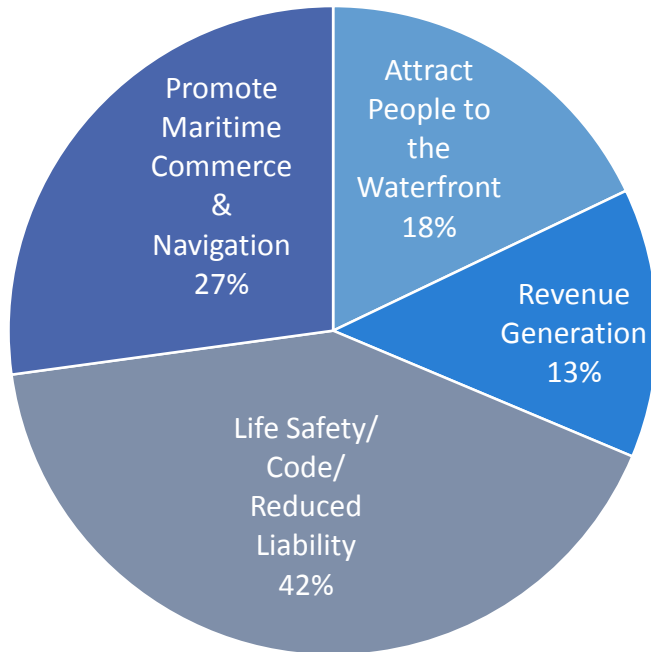
- ✓ Addresses a safety, health, environmental, code, or regulatory issue
- ✓ Significantly reduces potential liability to the Port
- ✓ Promotes commerce, navigation or fisheries
- ✓ Attracts people to the waterfront
- ✓ Promotes natural and cultural resources
- ✓ Preserves existing Port revenues
- ✓ Generates additional revenues for the Port

Capital Budget

Balanced Investments

Priority Areas

\$55.2 million



\$55.2 million Proposed Funding:

- 29 projects, including South Beach Harbor
- \$38.9 million (71%) renewal projects in the 10-Year Capital Plan
- \$16.3 million (29%) enhancement projects that support Strategic Objectives

Completed Projects Will Support:

- \$6.4 million annual revenue at stabilization
- \$44.3 million net revenue over 10 years

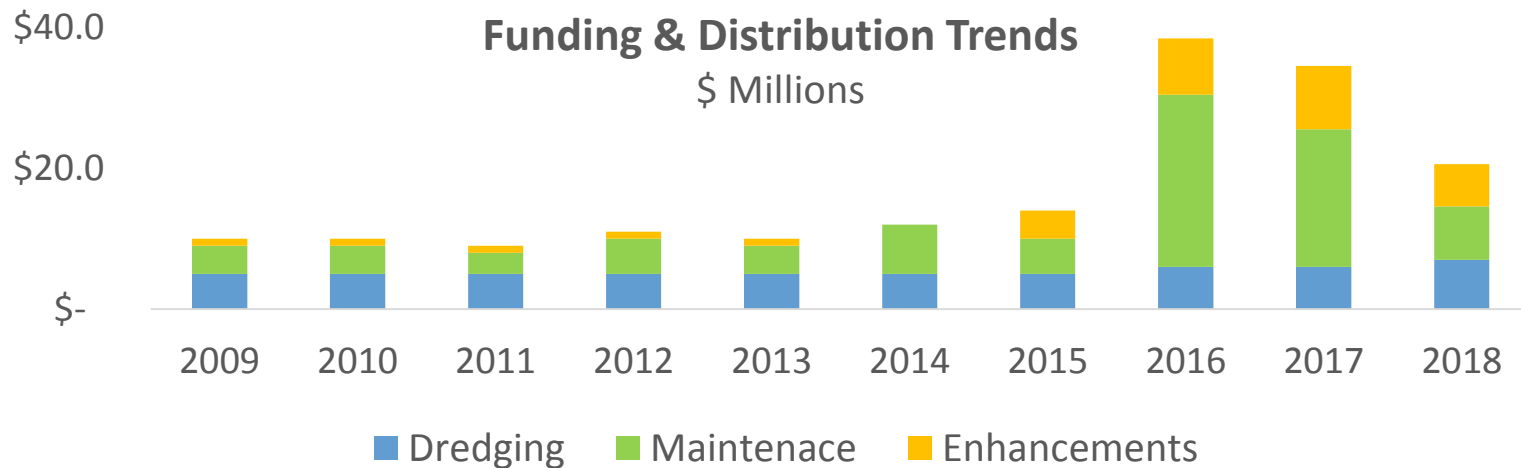
And Improve Life Safety Through:

- Upgraded fire protection systems
- Stronger/safer facilities
- Security enhancements

Capital Budget

Historic & Proposed Funding Levels

- Recent budgets significantly increased capital investment
 - ✓ Strong economy has driven up revenues
 - ✓ The Port has controlled operating expense growth
- Dredging is a fixed cost that has gradually grown over time
- Better budget years allow for additional facility renewal work and enhancements



Capital Budget

Current Projects in Historical Scenario

Funded

- Maintenance Dredging
- Homeland Security Match
- Pier 33 Fire Sprinkler System Project
- 2nd Pile Crew for Maintenance Department
- Pier 19 Utility Upgrade & Improvements
- Pier 29 Utility Upgrade & Improvements
- Dry Docking & Maint. of the Port's Pile Drivers & Pile Barges
- Seawall Study & Improvements - Add'l Funding
- South Beach Harbor

Unfunded

- Pier 23 Utility Upgrade & Restroom Renovations
- Amador St. Sewer and Pavement Improvements Add'l Funding
- Fire Protection Engineer
- Pier 29½ - 31 Utility Upgrade & Improvements
- Cement Mason Crew for Maintenance Dept. - Superstructure Work
- Pier 26 Lead Hazard Abatement & Painting Project
- Crane Cove Park Sediment Cap, Phase 2
- Utility Project - Miscellaneous Utility Projects
- Mission Bay Ferry Terminal Project
- Pier 70 Pile Removal - SF Bay Fill Removal
- 20th Street Project
- Leasing Capital Improvement Project - Add'l Funding
- Northern Waterfront Gate Installations
- Variable Message Signs

The proposed Fiscal Year 2016-17 capital budget

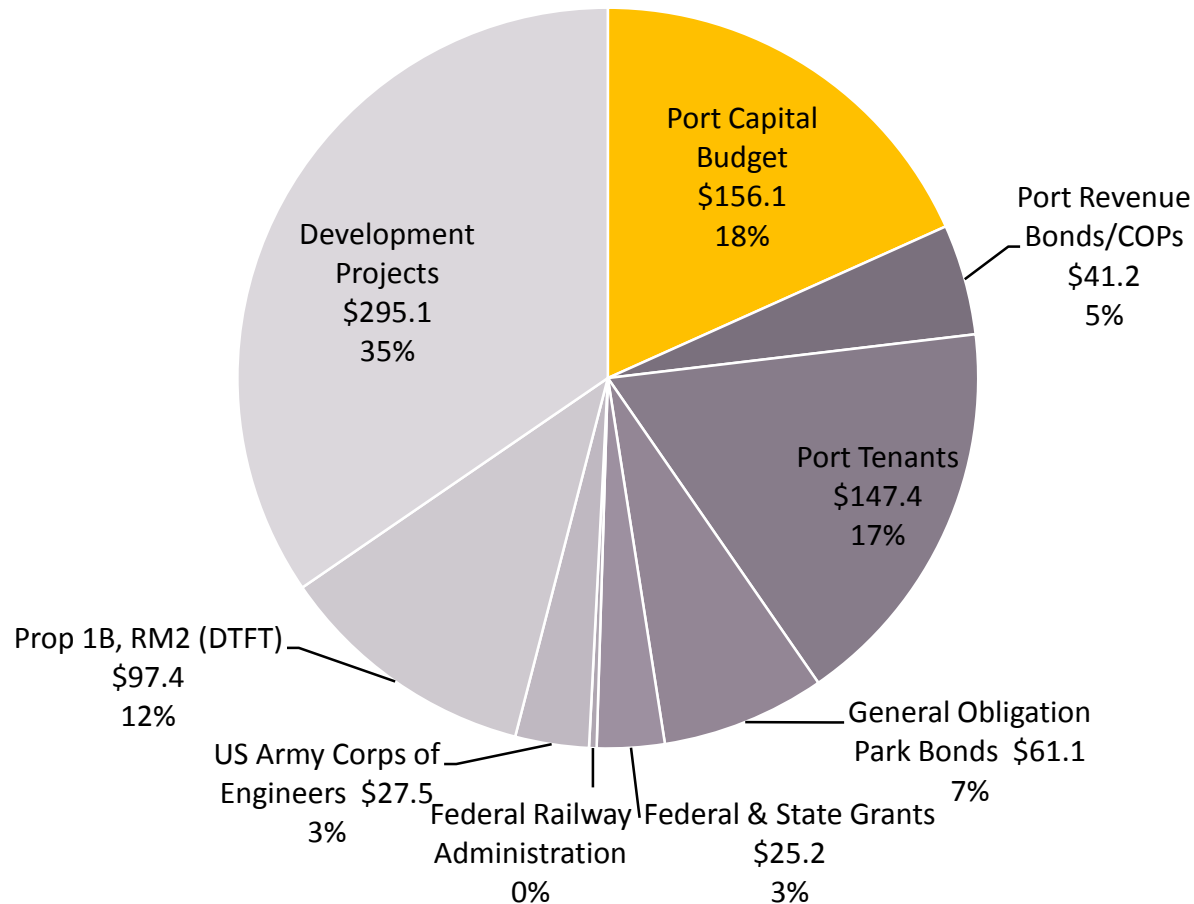
- ✓ \$34.1 million for 23 projects
- ✓ Supports renewal and enhancement projects

Leaner budget years limit the Port's ability to

- ✓ Address capital renewal requirements
- ✓ Invest in enhancements that support the Public Trust

Capital Budget

Part of a Diverse Capital Plan Portfolio





Case Studies

- ✓ PIER 27 JAMES R. HERMAN CRUISE TERMINAL
- ✓ PIER 70 ORTON PROJECT

Case Study

Cruise Terminal & Plaza

New state-of-the-art cruise facility & open space

- ✓ 5,000 Passenger Capacity
- ✓ Shoreside Power Infrastructure
- ✓ Special Events Facility
- ✓ 2.7 Acre Cruise Terminal Plaza

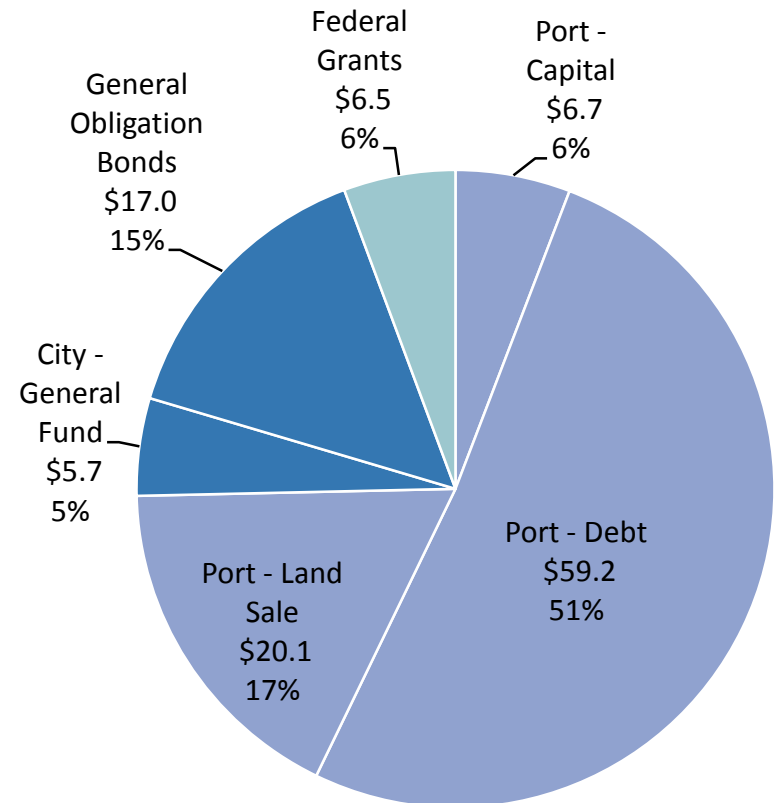
The Port leveraged a variety of public sources

- ✓ Port proceeds supported the facility and grant match
- ✓ Federal funding supported security infrastructure
- ✓ General Obligation Bonds funded open space



Variety of Public Sources

\$115 Million, 75% Port



Case Study

Cruise Terminal & Plaza

A variety of revenue-generating activities make the facility a fiscally sound investment for the Port

- ✓ Cruise
- ✓ Special Events
- ✓ Parking

These revenues offset ongoing expenses

- ✓ Operator agreement
- ✓ Maintenance dredging
- ✓ Facilities maintenance

Significant public benefit since 2014 opening

- ✓ 111 cruise calls and 404,447 passengers
- ✓ 51 ships plugged in to shoreside power
- ✓ 48 events, \$1.1 million revenue to the Port



Case Study

Pier 70, Orton Project



Pier 70 will be home to:

- BAE Ship Repair Yard (existing)
- Crane Cove Park
- Forest City Waterfront Site
- Orton – 20th Street Historic Core

20th Street is home to the area's most precious historic buildings

- Former Bethlehem Steel Office Building
- Union Iron Works Headquarters
- Machine Shop
- Power House

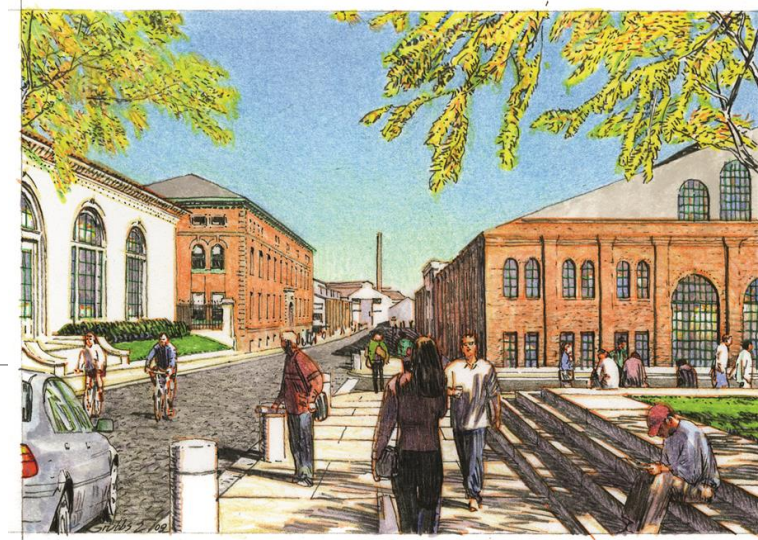
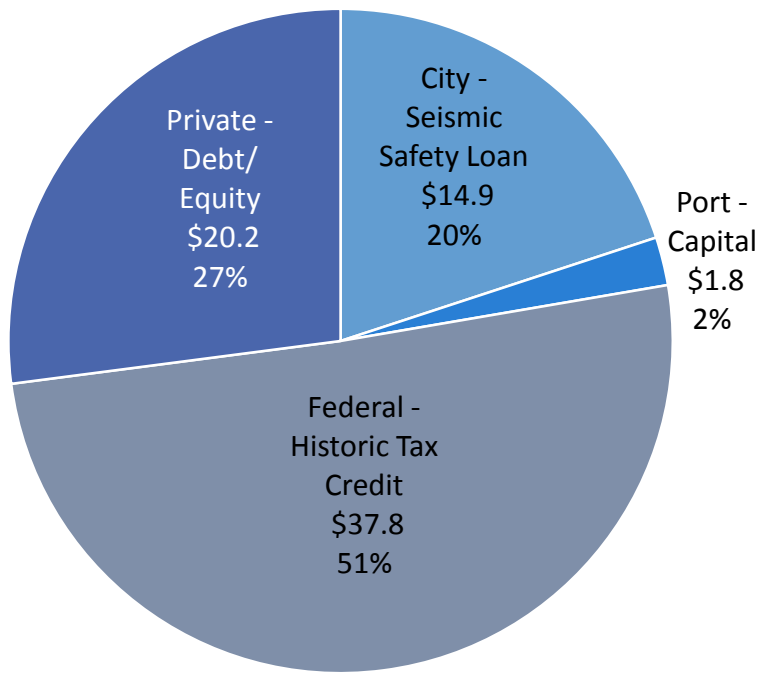


Case Study

Pier 70, Orton Project

Variety of Public/Private Source

\$76 million, 2% Port



\$18 Million Infrastructure Financing District

- ✓ Supports new Crane Cove Park
- ✓ New infrastructure
- ✓ Offsets developer and Port costs

Trust Benefits

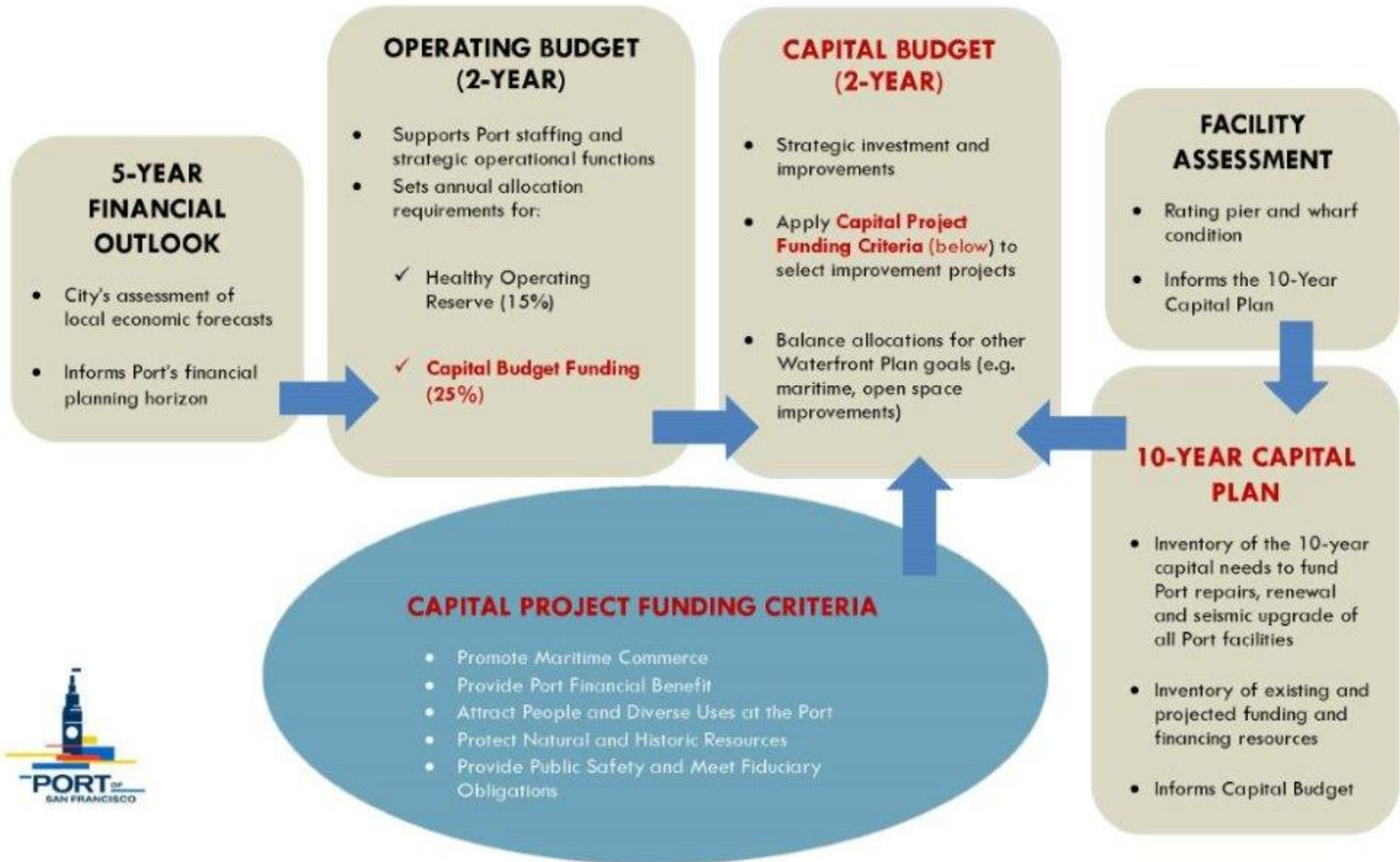
- ✓ Rehabilitation of significant historic district
- ✓ \$76 million capital needs addressed

Fiscally Sound

- ✓ No lost revenues during project
- ✓ Future income, ~\$200,000 plus percentage participation in year 20
- ✓ Addresses renewal requirement

Port Operations and Capital Investments

Align with Waterfront Plan Values



Considerations for Waterfront Plan Policy Discussions

- ✓ **Structural Deficit** – Port capital needs far exceed Port revenue production
- ✓ **Conservative financial policies and operating budget management** result in more dollars for capital investment
- ✓ **The Port leverages many outside sources of funds (“OPM”)** for repairs and enhancements; these are real game changers in the Port’s financial position
- ✓ **Cash is not the only consideration** – development and private investment reduces the capital backlog, meets Public Trust goals, transforms the waterfront
- ✓ **Interim uses continue to be vital** for sustained operating revenues
- ✓ **Seawall lots are important revenue opportunity sites** to enable capital improvements