Port Commission
City and County of San Francisco
Port of San Francisco

Independent Auditor's Report,
Management's Discussion and Analysis, and
Financial Statements

For the Years Ended
June 30, 2024 and 2023

Certified
Public
Accountants

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
For the Year Ended June 30, 2024 and 2023

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Independent Auditor's Report

The Port Commission, the Honorable Mayor, and
the Board of Supervisors of the City and County of
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port Commission, City and County of San Francisco (City), Port of San Francisco (Port), an enterprise fund of the City, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements of the Port are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and major enterprise fund of the City that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Port's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The supplemental combining financial schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental combining financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 31, 2024

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Introduction

This discussion is a narrative overview and analysis of the financial activities of the Port of San Francisco (Port). The narrative serves as an introduction to the audited financial statements, which can be found on pages 23 to 28 of this report. This overview should be read in conjunction with the more detailed information contained within the accompanying financial statements.

The Port is a self-supporting enterprise department of the City and County of San Francisco (City). Its financial results are included in the City's basic financial statements. Only Port accounts are included in the financial statements that follow. The Port Commission is responsible for seven and one-half miles of waterfront property, which was transferred in trust from the State of California to the City in 1969. The Port's revenue is derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise, and other maritime activities. Additional information concerning the Port's organization and the basis of the presentation for this financial report is contained in Note 1 and Note 2 to the financial statements on pages 29 to 33.

Financial Statement Overview

The statements of net position present information on all the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the sum of these elements reported as "net position." Increases and decreases in net position serve as a useful indicator of the changes in the financial position of business enterprise entities like the Port.

The statements of revenues, expenses and changes in net position present information that shows how the Port's net position changed during the most recent two years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement also reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected rents from tenants and earned and unused vacation leave).

The statements of cash flows present information about the cash receipts and cash payments of the Port during the most recent two fiscal years. This statement shows the changes in cash and cash equivalents as a result of operating, investing, capital, and financing transactions. When used with related disclosures and information in the other financial statements, the information in the statements of cash flows helps readers assess the Port's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external funding.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes follow the financial statements and can be found on pages 29 to 76 of this report. The supplemental schedule of this report provides additional information about South Beach Harbor (SBH).

The following is a presentation of condensed financial information derived from the financial statements.

Condensed Financial Information – Port of San Francisco

Comparative Net Position (in thousands)

	June 30, 2024	June 30, 2023	June 30, 2022	2024-2023 Change	2023-2022 Change
Current and other assets	$ 975,122	$ 940,458	$ 818,281	$ 34,664	$ 122,177
Capital assets	492,073	492,974	508,572	(901)	(15,598)
Total assets	1,467,195	1,433,432	1,326,853	33,763	106,579
Deferred outflows of resources	26,613	20,837	17,002	5,776	3,835
Current liabilities	38,312	36,944	35,069	1,368	1,875
Noncurrent liabilities	309,981	327,776	227,055	(17,795)	100,721
Total liabilities	348,293	364,720	262,124	(16,427)	102,596
Deferred inflows of resources	517,633	523,895	595,684	(6,262)	(71,789)
Net position:					
Net investment in capital assets	317,705	313,084	321,130	4,621	(8,046)
Restricted	34,093	47,811	21,269	(13,718)	26,542
Unrestricted	276,084	204,759	143,648	71,325	61,111
Total net position	$ 627,882	$ 565,654	$ 486,047	$ 62,228	$ 79,607

Changes in Net Position (in thousands)

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022	2024-2023 Change	2023-2022 Change
Revenues:					
Operating revenues	$ 134,589	$ 128,667	$ 120,951	$ 5,922	$ 7,716
Nonoperating revenues	61,164	39,420	21,297	21,744	18,123
Capital contributions	14,733	39,369	4,252	(24,636)	35,117
Total revenues	210,486	207,456	146,500	3,030	60,956
Expenses:					
Operating expenses	143,625	123,184	105,250	20,441	17,934
Nonoperating expenses	4,633	4,665	4,890	(32)	(225)
Total expenses	148,258	127,849	110,140	20,409	17,709
Change in net position	62,228	79,607	36,360	(17,379)	43,247
Net position, beginning of year	565,654	486,047	449,687	79,607	36,360
Net position, end of the year	$ 627,882	$ 565,654	$ 486,047	$ 62,228	$ 79,607

Financial Analysis

Fiscal Year 2023-24 was characterized by progress in the areas of economic recovery, resilience, and equity.

- Economic recovery continues to be gradual and steady. While total operating revenues increased slightly, it was largely due to an increase in other revenues related to cost recoveries from development projects such as the Mission Rock development. In total, operating revenues continued to recover at $134,589,000 in the fiscal year 2023-24 compared to $128,667,000 in the prior year and $122,033,000 in the fiscal year 2018-19, which was the most recent pre-pandemic year.

  Today, people are returning to the waterfront, and the Port has played an invaluable role in the City's overall economic recovery efforts by maintaining a clean, safe, and vibrant waterfront that attracts workers and visitors. Recovery efforts included bringing community events to Crane Cove Park, opening the new China Basin Park, maintaining cruise passenger counts near all-time highs, sponsoring markets at the Ferry Building, partnering with the neighborhood Community Benefit District to beautify and activate Fisherman's Wharf, and bringing the SkyStar observation wheel to Fisherman's Wharf as a major new attraction. In addition to attracting visitors, efforts to activate the waterfront are intended to draw interest in Port properties that were vacated prior to and during the pandemic. The Port is investing significantly in this activation and attraction work, with the goal of restoring and further expanding revenues that will support the Port's operations into the future.

- The Port continued to focus on resiliency, spending approximately $14,473,000 on the Waterfront Resilience Program involving conceptual design, predesign, community outreach, and the United States Army Corps of Engineers Flood Study, a decrease from the prior year's amount of $14,665,000. The Waterfront Resilience program, with an estimated cost of $13.5 billion, reached an important milestone as the U.S. Army Corp of Engineers formally endorsed the Flood Study Draft Plan and related recommended changes to the plan, which charts a path forward to the completion of the Flood Study. There remains significant milestones, including a formal recommendation to Congress and subsequent authorization by Congress.

- Also, the Port continued to promote and advance racial equity. During the fiscal year, the Port sponsored "Foodwise's Pop-ups on the Plaza," a series of events celebrating Bay Area Black entrepreneurs. To further diversity, equity, and inclusion of all people, the Port displayed artworks such as a nine-foot sculpture at Pier 1 of a young black woman called *As Sounds Turn to Noise*, which is meant to challenge existing norms and displaying artwork discovered at Crane Cove Park, which is the work of Ary Acadie Lochokov, who died from malnutrition in 1941 after being forced to hide in a Jewish ghetto in Nazi-occupied France.

Total net position on June 30, 2024, of $627,882,000 was $62,228,000 higher than the net position on June 30, 2023. Comparatively, in 2023, the net position increased by $79,607,000, and in 2022, net position increased by $36,360,000. The net investment in capital assets represents the largest portion of the Port's net position: 51% on June 30, 2024, 55% on June 30, 2023, and 66% on June 30, 2022. This net position component consists of capital assets net of accumulated depreciation/amortization, and it is reduced by the outstanding balances of debt attributable to the acquisition, construction, and improvement of those assets. The total net investment in capital assets was $317,705,000 on June 30, 2024, representing funds that are not accessible for future spending. The resources needed to pay outstanding debt used to acquire capital assets must be provided from other sources (i.e., other Port assets or operating revenues). The remaining portion of the net position on June 30, 2024, consists of $34,093,000 restricted for specific capital project expenditures and $276,084,000 that is unrestricted and available to meet future capital requirements and ongoing obligations. Capitalized project expenditures have fluctuated in recent years. There was a net decrease in capital assets in 2024 of $901,000 and a net decrease of $15,598,000 in 2023. The funding for the acquisition and construction of capital assets, such as facility improvements, is reflected in the sources and uses of working capital and changes to liabilities and other obligations. Grants and other capital contributions also fund certain capital projects. Other noncurrent assets increased by $2,824,000 in 2024, mainly attributable to an increase in long-term lease receivables from new leases or lease extensions. Other noncurrent assets decreased by $36,980,000 in 2023, mainly from a decrease of $20,800,000 in long-term net pension assets due to a change in prior-year investment returns and a decrease of $15,775,000 in long-term lease receivables.

In 2024, a handful of events caused the $62,228,000 increase in net position. First, in April 2024, the Port accepted infrastructure assets associated with the Pier 70 Project, a 28-acre development site valued at $14,241,000. Assets accepted by the Port included Louisiana Street, the structural frame of Building 15, a special sidewalk, in-street paving, and various other capital improvements constructed by the developer. Second, interest and investment income were $30,102,000 from interest earnings and net unrealized gains reported from cash and investment held at the City Treasury. Third, the Port received $5,860,000 from the transfer of the Port's property located on a portion of 1236 Carroll Avenue, which will be used as a new fire training facility for the San Francisco Fire Department. Fourth, the Port received insurance proceeds totaling $3,882,000 related to claims on losses incurred at a warehouse fire at Pier 45 occurred in 2020.

The net increase in current assets of $31,840,000 in 2024 is due to a variety of factors including an increase of $50,074,000 in unrestricted cash and investment held in the City Treasury principally from cash collections from tenants and developers, a $2,266,000 increase in interest receivables accrued on unrestricted cash and investment held in the City Treasury, and an increase of $1,919,000 in lease receivables from new leases or extended leases. These increases were offset by a decrease of $14,261,000 in restricted cash and investment held in and outside the City Treasury mainly due to expenditures on early Seawall projects, and a decrease of $9,344,000 in net receivables primarily due to reimbursements collected from developers for Port cost recovery. Comparatively, in 2023, The net increase in current assets of $159,157,000 in 2023 was due principally to an increase of $145,219,000 in unrestricted cash and investment held in the City Treasury principally from full receipts of the COVID-19 recovery funds from the State mentioned earlier and $26,873,000 increase in restricted cash and investment held in the City Treasury due to a capital contribution from the City's sale of general obligation bonds to support early Seawall projects, Seawall adaptation strategies, and San Francisco Waterfront Coastal Flood Study general investigation. These increases were offset by a decrease of $13,189,000 in net receivables primarily due to the receipt of $13,811,000 of COVID-19 stimulus funding from the State, which was recorded as a grant receivable.

Current liabilities increased by $1,368,000 as of June 30, 2024, mainly attributable to an increase of $2,680,000 in current pollution remediation obligations, an increase of accrued workers' compensation of $197,000 and an increase of accrued payroll of $144,000. These were offset by decreases in unearned rent, advance payments, leases and other deposits of $1,100,000 and a decrease of accounts payable of $801,000. The $1,875,000 increase in current liabilities as of June 30, 2023, is attributable to an increase of $1,075,000 in accounts payable and accrued expenses related to capital projects and operating activities, an increase of $668,000 in customer lease deposits, and an increase of $618,000 from customer prepayments. These increases were offset by decreases in scheduled debt payments and current pollution remediation obligations.

Noncurrent liabilities in 2024 decreased by $17,795,000. The decreases included a decrease of $19,438,000 in unearned COVID-19 State stimulus grant earned during the year, a decrease of $3,346,000 in long-term obligations due to scheduled debt payments, a decrease of $2,560,000 in rent credit due to tenant as a result of amortization, and a decrease of $1,574,000 in lease liabilities. These decreases were offset by an increase of $7,736,000 in net pension liabilities and an increase of $2,425,000 in long-term pollution remediation liabilities. In 2023, the $100,721,000 increase in noncurrent liabilities included an increase of $84,784,000 unearned COVID-19 State stimulus grant, an increase of $21,192,000 in pension liabilities due to changes in the prior year investment returns, and an increase of $1,805,000 in long-term pollution remediation liabilities. These increases were offset by a decrease of $3,230,000 in long-term obligations due to scheduled debt payments, a decrease of $1,697,000 in rent credit due to tenant as a result of amortization, and a decrease of $1,555,000 in lease liabilities.

Operating revenues in 2024 and 2023 supported current-year operation and maintenance expenses before depreciation and amortization. Nonoperating revenues include interest and investment income, operating grants, one-time settlements, insurance settlements, gain from transfer of land, and credit auction proceeds gained from the Port's participation in Hetch Hetchy Power's low carbon fuel standard partnership program.

Capital contribution revenues fluctuate with the level of capital grant revenues realized from grant-funded construction activities. Historically, capital contribution revenues have also included the City's direct contributions for certain projects and general obligation bond proceeds allocated to fund the Port's open space and park improvement projects. In the current fiscal year, capital contribution also includes acceptance of Pier 70 horizontal infrastructure from a developer. Nonoperating expenses are costs outside of normal operations and are reported in the nonoperating revenues and expenses section. Examples include interest expense, any costs for pier removal, demolition work, asset disposition costs, and any associated losses from those capital and operational events, including early termination leases, insurance settlements, bond issuance costs, arbitrage expenses, and contributions to certain community-based organization services such as youth workforce development.

The statements of revenues, expenses, and changes in net position on page 26 present the Port's operating revenues in more detail by industry revenue types. Operating revenues for the year ended June 30, 2024, increased by $5,922,000 or 4.6%. The increase is primarily due to revenue earned from a developer related to the recovery of expenses. Comparatively, operating revenues for the year ended June 30, 2023, increased by $7,716,000 or 6.4%. The increase is primarily due to increased commercial and industrial and cruise revenues. Cruise revenues increased by $5,134,000 due to increasing cruise activities and the expected record number of cruise calls in 2023. Commercial and industrial rent increased in 2023 by $1,853,000, attributable to increases in percentage rent revenues due to post COVID-19 restaurant sales recovery. Parking revenues increased by $630,000 principally from a one-time revenue catch-up, including retroactive license fees and retroactive parking stall rental fees. These increases were offset by a decrease of $2,028,000 in other revenues, principally due to a reduction in development project cost recoveries.

Commercial and industrial revenues decreased in 2024 by $3,068,000 due principally to various factors, including fluctuations in estimates of uncollectible accounts, lease revenues, and rent credits issued. The decreases were offset by increases in the rate of minimum or base rents according to contractual agreements or consumer price index. Comparatively, in 2023, commercial and industrial revenues increased by $1,853,000 due principally to increases in percentage rent revenues due to restaurant sales recovery.

Cruise revenues decreased slightly by $954,000 in 2024 from fluctuations in the volume of cruise calls. There were 95 cruise calls in 2024 compared to 110 cruise calls in 2023. Also, passenger counts were 365,000 in 2024 compared to 391,000 in 2023. In 2023, cruise revenues increased significantly by

$5,134,000 from an increased volume of cruise calls that were temporarily suspended to China during the pandemic and opted to travel to the US. There were 110 cruise calls in 2023 compared to 71 cruise calls in 2022. Also, passenger counts were 391,000 in 2023 compared to 157,000 in 2022.

Parking revenues, which include lots leased to parking operators, parking stalls, parking meters on Port streets, and fine revenues collected by the City on Port property, remain stable. Parking revenues decreased slightly by $49,000 in 2024, principally due to a decrease from a prior year's one-time revenue catch-up from retroactive license fees and retroactive parking stall rentals offset by an increase in parking meter revenues received in the current year. In the prior year, parking revenues increased by $630,000, principally due to a one-time revenue catch-up from retroactive license fees and retroactive parking stall rentals.

Other operating revenues include construction and event permit fees, additional one-time transaction fees, and expense recoveries realized or realizable from significant development projects. These revenues fluctuate from year to year since they are primarily derived from construction activities on Port property and are subject to the timing of specific project transactions. In 2024, other operating revenues increased by $7,803,000, principally due to an increase in revenue earned from a developer related to expense recoveries. In 2023, other operating revenues decreased by $2,028,000, principally due to a reduction in expense recoveries related to development projects.

Other fluctuations in operating revenues included other maritime revenue, including excursion revenues, cargo revenues, fishing revenues, and harbor revenue. Other maritime revenues increased by $1,598,000 primarily from increases in excursion revenues. Cargo revenue increased by $343,000 principally from a steady base rent rate increase per contractual agreement from Cargo facilities rental revenues and an increase in demurrage revenues from increased auto cargo volume. Fishing revenue increased by $124,000 due to various factors, including the number of permanent berth holders, general rate increases and estimates of uncollectible accounts. Harbor services revenue increased by $125,000 primarily due to fluctuations of estimates from uncollectible accounts.

Comparatively, in 2023, other maritime revenues increased by $422,000, primarily from increases in excursion revenues and more activities related to dockage for vessel repair and cruise events. Cargo revenue increased by $588,000 principally from activities of existing cargo facilities tenants and an increase in demurrage revenues from increased auto cargo volume. In the prior year, the Port's cargo terminal operator at Pier 80 handled 29,000 autos, a 49% increase from the previous fiscal year. Fishing revenue increased by $152,000. Fishing revenue fluctuates due to various factors, including the number of permanent berth holders, general rate increases, and estimates of uncollectible accounts. Harbor services revenue increased by $965,000 primarily due to a prior year revenue reduction from uncollectible accounts.

Capital grants and other contributions usually consist of funds from federal, state, and local grant agencies, which provide funding for several of the Port's capital projects. This revenue source fluctuates based on available grant funds and the capital work in progress at the Port. Overall, capital grants and contributions decreased by $24,636,000. The net decrease is due to a $38,877,000 decrease from a prior year's capital contribution from the City's second issuance of the Seawall Bond to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study offset by an increase of $14,241,000 in the Port's acceptance of the horizontal infrastructure the developer of Pier 70. In 2023, capital grants and contributions increased by $35,117,000. The increase is from a capital contribution from the City's second issuance of the Seawall Bond to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study.

Total operating expenses of $143,625,000 (condensed summary on page 6) for 2024 represent a $20,441,000 increase from 2023. Comparatively, 2023 operating expenses were $17,934,000 higher than total operating expenses in 2022. The statements of revenues, expenses, and changes in net position on page 26 present the Port's operating and nonoperating expenses in greater detail. Information concerning significant variances and nonrecurring items are presented in the more detailed discussion that follows.

Operating expense changes in 2024 and 2023 are highlighted as follows:

	Increase / (Decrease) 2024	2023
Personal services	$ 9,441,000	$ 6,449,000
Contractual services	3,073,000	3,547,000
Utilities	(927,000)	1,199,000
Materials and supplies	459,000	(71,000)
Depreciation and amortization	828,000	1,988,000
General and administrative	419,000	(862,000)
Services provided by other City departments	4,130,000	2,455,000
Pollution remediation	3,863,000	1,889,000
Other	(845,000)	1,340,000

Personal services increased by $9,441,000 primarily from increases in current year pension expense, amortization of deferrals related to pension and an increase in permanent salaries. Pension and OPEB expenses and their related liabilities can fluctuate significantly as they include regularly updated actuarial assumptions, estimates about future investment returns, and future projections regarding benefit payments. More detailed information concerning pension and OPEB are in Note 8 beginning on page 48 and Note 10, beginning on page 57, respectively. Other cost fluctuations can be attributed to various factors, including headcount change, salaries and fringe benefits change pursuant to collective bargaining agreements, retirement, temporary salaries, and the amount of labor capitalized as capital assets. In 2023, personal services increased by $6,449,000 primarily from prior year pension expenses decrease due to investment returns in the fiscal year 2021-22. Other cost fluctuations can be attributed to various factors, including headcount change, salaries and fringe benefits change pursuant to collective bargaining agreements, retirement, temporary salaries, and the amount of labor capitalized as capital assets.

Contractual services increased by $3,073,000 or 14.4%. The level of contractual services recorded as operating expense fluctuates with the volume of capital and non-capital project-related activities. Preliminary conceptual design work, feasibility analyses, environmental investigations, hazardous material removal, and demolition costs are generally expensed when incurred. The Waterfront Resilience Program continues to undergo significant planning and preliminary design activities and transition to final design. The Real Estate and Development Division continues to drive several major development projects in various stages, from negotiation to horizontal construction. Other current year expenses included project spending to support Fisherman's Wharf Community Benefit District, which focused on improvements of the visitor experience at the wharf through cleaning and safety enhancements, small beautification elements, outdoor events and storefront activations, marketing and business attractions, and community engagement activities.

Service reimbursements to other City departments were $31,960,000, a net increase of $4,130,000 from 2023 or a 14.8% increase. This is primarily due to an increase in insurance expenses, in police security service expenses, project-related activities procured from the Department of Public Works, City Attorney legal services, and internal audit services. Comparatively, in 2023, total service reimbursements to other City departments were $27,830,000, a net increase of $2,455,000 from 2022 or a 9.7% increase, primarily from an increase in insurance expenses and increased event and project-related activities procured from the Fire Commission. Other increases included increased workers' compensation payouts in the current fiscal year.

In 2024, utility costs decreased by $927,000 or 18.1%. In 2023, utility costs increased by $1,199,000 or 30.7%. Utility cost variances are derived from rate and utilization changes. Materials and supplies fluctuate with the type and volume of maintenance and repair work that the Port performs during the fiscal year. Materials and supplies costs increased by $459,000 or 38.6% in 2024, which is primarily due to increases in purchases of lumber, hardware, plumbing supplies, and other building supplies. Comparatively, in 2023, materials and supplies decreased by $71,000 or 5.6%, which was due to decreases in lumber, minor data processing equipment, electrical supplies, perishables for events, cleaning supplies, and others fluctuating from inventory purchase, capitalization, and usage. The increase in depreciation and amortization expense is due principally to new assets placed in service. Depreciation and amortization expenses in 2024 increased by $828,000 or 3.3%. Comparatively, depreciation and amortization in 2023 increased by $1,988,000 or 8.5%. General and administrative expenses increased by $419,000 primarily due to an increase in overhead costs from cost recovery charges by other City departments, an increase in promotion and entertainment expenses, and an increase from office rental. Comparatively, in 2023, General and administrative expenses decreased by $862,000, primarily due to a decrease in overhead costs allocated by other City departments.

Pollution remediation expenses increased by $3,863,000 in 2024. The increase was derived from current evaluations of and re-estimate of accrued expenses primarily due to the Pier 70/68 Shipyard Uplands project and the Hyde Street Harbor Fuel Pipeline project. The Port continues to review, evaluate, and re-estimate its obligations to remediate pollution annually. Details of the obligations can be found in the environmental matter section of Note 14. Other expenses decreased by $845,000, principally due to a decrease in software license fees, permits, and support services. Comparatively, pollution remediation expenses increased by $1,889,000 in 2023. The increase was primarily due to Mission Bay Ferry Landing and Pier 64 Marine Debris clean-up projects. Other expenses in the prior year increased by $1,340,000 principally due to increases in software license fees and support services, increases in judgment and claims, and increases in project-related permit fees and disposal fees.

Nonoperating revenues and expenses, other than interest expense, tend to fluctuate widely based on largely nonrecurring transaction activities or events. Investments are reported at fair value, and the corresponding change in fair value is reported along with interest and investment income. Other operating grants and capital contributions fluctuate year over year and consist of financial assistance or capital contributions received from various agencies for purposes such as access improvements, maritime or environmental activities, and emergency related cost recoveries. Nonoperating revenues increased by $21,745,000 in 2024 primarily due to a $16,152,000 increase in interest and investment income from steady interest rate increase, higher cash balance held in the City, and net unrealized gains. Other increases included a $5,860,000 increase from the transfer of Port's property located on a portion of 1236 Carroll Avenue, which will be used as a new fire training facility for the San Francisco Fire Department, and a $3,882,000 increase from insurance proceeds settlement related to loss from the warehouse fire at Pier 45 that occurred in 2020. These increases were offset by a decrease of $3,039,000 in settlements due to various settlements received in the prior year. Comparatively, nonoperating revenues increased by $18,123,000 in 2023. The increase was primarily due to a $7,747,000 increase in operating grants and transfers, which included revenues from the

State of California to mitigate the negative economic impacts of the COVID-19 pandemic. Other increases included an increase of $6,937,000 in interest and investment income from cash held in the City Treasury due to higher interest rate and cash balance and an increase of $3,238,000 in revenues from various settlements.

Capital Asset and Debt Administration

Capital Assets

The Port's capital assets as of June 30, 2024 and 2023, respectively, were $492,073,000 and $492,974,000, net of accumulated depreciation/amortization. Principal capital assets include land, certain street and road improvements, pier promenades, pier substructure, buildings and related improvements, vehicles, equipment, furniture, and right-to-use lease assets. More information concerning the Port's capital assets can be found in Note 5 on pages 37-38.

Significant project appropriations cover capital projects planned and in progress, including the pending expenditure of the State Stimulus grant, the debt issuances discussed below, and the general obligation bond proceeds allocated to the Waterfront Resilience Program and open space and park projects along the waterfront. As of June 30, 2024, the budget file indicates over $237,765,000 in appropriations for Port capital projects. The Port had firm purchase and contract commitments on June 30, 2024, of approximately $31,069,000 for various capital projects.

Major capital asset project expenses of fiscal year 2023-24 included the following:

- ***Pier 27 Cruise Terminal Maintenance Dredging –*** Maintenance dredging is essential to ensure sufficient depths for vessels supporting maritime commerce. While some berths at the Port are naturally deep, many require periodic dredging to maintain depths. At Pier 27, maintenance dredging allows the berthing of deep draft cruise vessels at the Port's primary Cruise Terminal. During the fiscal year 2023-24, the Port performed contracted maintenance dredging through a previously awarded Port Engineering Construction Contract. The dredged sediments were transported to a certified beneficial re-use site, where they contribute to wetland restoration. The work was performed and completed within the same fiscal year, adhering to applicable laws, regulations, and permits.

- ***Pier 80 Temporary Fendering Project –*** The project was initiated to prepare Pier 80 for berthing the Grand Princess. The project involved relocating and installing some existing fenders, as well as preparing the wharf face and bollards to accommodate this large cruise ship. Design began in the first quarter of 2024, construction began in mid-March 2024, and the work was completed in time for the ship to arrive on April 27, 2024.

- ***Pier Shed Structural Repair*** – Pier 29 is immediately adjacent to Pier 27, an active cruise terminal and event space along the Northern Waterfront, and within walking distance to numerous tourist attractions on Port property, including Fisherman's Wharf, Alcatraz Tours, various retail stores, and restaurant dining. While Pier 29 is currently vacant and has limited uses due to its condition, repairs would improve leasing ability and subsequently increase activation of the area, bringing additional foot traffic and visitors to restaurants and retail establishments. In 2023, limited temporary structural repairs and ventilation upgrades were implemented to allow for the use of the shed as a parking facility for the U.S. Secret Service during the APEC summit in November 2023. The project began in February 2023 and was completed with formal acceptance in March 2024.

- ***Wharf J9 Phase 1 Float & Gangway –*** The purpose of this project is to replace the dilapidated timber Wharf J9 in Fisherman's Wharf. Phase 1 is the installation of a new 270-foot-long precast concrete float and an 80-foot-long aluminum gangway alongside the existing wharf for off-the-boat fish sales and Americans with Disabilities Act - accessible excursions. These components will subsequently be incorporated into Phase 2 of the project, which will replace the wharf and seawall. Installing the gangway aims to promote economic recovery of this under-utilized area while the replacement project is being developed. Phase 1 also includes site improvements along Al Scoma Way to provide safer pedestrian access. The contractor started procurement of the concrete float and gangway in May 2024. Installation started in September 2024, with expected completion of Phase 1 in November 2024. Phase 2 is currently in predesign, with construction expected to start around 2027. This is one of the Waterfront Resilience Program's Early Projects, funded by the 2018 Seawall GO Bond (see Waterfront Resilience Program section below).

Debt Administration
Detailed information concerning the Port's long-term obligations can be found in Note 7 on pages 41-47 of this report. As of June 30, 2024, the Port had long-term debt obligations excluding bond premiums of $66,472,000, including $3,129,000 that is due during the next fiscal year. Total debt outstanding consists of $36,705,000 in revenue bonds, $24,025,000 in certificates of participation, and $5,742,000 in loans payable that is secured by specified revenue sources.

The 2020 revenue bonds were issued with long-term credit ratings of "Aa3", "A" and "A" from Moody's Investor Services, Standard & Poor's Rating Services (S&P), and Fitch Ratings, respectively. The 2014 revenue bonds were issued with long-term credit ratings of "A1", "A-" and "A" from Moody's Investors Services, Standard & Poor's Ratings Services (S&P), and Fitch Ratings, respectively.

In May 2024, Fitch affirmed its "A" rating and stable outlook. In March 2023, S&P affirmed its "A" rating and revised its outlook from negative to stable. In May 2023, Moody's affirmed its "Aa3" rating and revised its outlook from negative to stable.

Economic and Other Factors

Economy
The economic recovery of San Francisco continues to be gradual but also shows signs of improvement. The recovery is also not uniform throughout San Francisco. For instance, downtown office vacancy rates remain high, and foot traffic has been slow to return to the downtown area. However, along Embarcadero Street, which runs north and south along Port lands, foot traffic and parking activity continue to improve steadily. San Francisco has experienced slight increases in tourism, with average hotel occupancy rates increasing from 69% in June 2023 to 72% in June 2024 [1]. Also, total jobs in the leisure and hospitality sector have increased by 3,500 in the San Francisco and San Mateo counties from June 2023 to June 2024 [2].

However, the over-the-year Consumer Price Index for urban consumers (CPI-U) in the San Francisco-Oakland-Hayward region increased slightly from 2.9% in June 2023 to 3.2% in June 2024. [3] Also, the unemployment rate in San Francisco increased from 3.2% in June 2023 to 3.6% in June 2024.[4] With the

1 SF Office of Economic Analysis
2 CA Employment Development Department, Labor Market Information
3 CA Employment Development Department, Labor Market Information
4 U.S. Bureau of Labor Statistics

slight increases in inflation and unemployment, Port remains cautiously optimistic about San Francisco's economic recovery.

Other factors

Through various programs and initiatives mentioned below, the Port remains focused on economic recovery, equity, and resiliency.

Waterfront Resilience Program. The Waterfront Resilience Program is a major City and Port effort to improve the Port's 7.5-mile Embarcadero shoreline to provide increased seismic performance, provide near-term flood protection improvements, and plan for long-term resilience and sea-level rise adaptation.

U.S. Army Corps of Engineers Flood Study. In 2018, the Port has partnered with the United States Army Corps of Engineers (USACE) to conduct the San Francisco Waterfront Coastal Flood Study (Flood Study), where the Port and the USACE are examining flood risk due to coastal storms and sea level rise along San Francisco's 7.5-mile waterfront for the study period of 2040 through 2140.

In February 2023, the Port and the USACE published the Flood Study Draft Integrated Feasibility Report and Environmental Impact Statement. The Flood Study includes a Draft Plan to adapt the Port's Bay waterfront to address coastal and combined flood risk through a set of initial adaptation actions with an estimated cost of $13.5 billion in 2024 dollars (Draft Plan) and subsequent actions to address higher rates of sea level rise.

The Flood Study is scheduled to be completed in 2026. In June 2024, USACE senior leaders endorsed the Draft Plan and recommended changes to the plan to respond to comments received during the public and agency comment period on the plan. The plan is now the adaptation plan that USACE recommends (Recommended Plan). If the USACE Chief of Engineers formally recommends the plan to Congress in 2026 and Congress authorizes the Recommended Plan, the federal government will pay up to 65% of the costs of the plan.

Subject to approval by Congress, the Mayor, and the Board of Supervisors, the Port will implement the USACE Recommended Plan over several decades and will require federal, state, and local permitting and funding to complete the effort.

Early Projects. The Port began to actively address both sea-level rise and damage from earthquakes with funding from Proposition A (2018), which was a $425 million Seawall Earthquake Safety Bond. Proposition A is a down payment for the multi-generational and multi-billion-dollar project to improve the City and the Port assets and infrastructure along the Port's Bay waterfront for greater resilience in the face of earthquakes, floods, sea-level rise, and climate hazards.

Early Projects focus on making improvements to protect life safety, support regional disaster response and recovery efforts, and help protect the historic waterfront that can be implemented in the near term, complementing the longer-term strategy under development in the Flood Study. In December 2021, the Port identified twenty-three Embarcadero Early Projects to reduce life safety risk, improve disaster response, and reduce early flood risk, with a total projected cost of $650 million to $3 billion. The Waterfront Resilience Program team has advanced the first seven Embarcadero Early Projects through the first step of predesign. It is now advancing five of these projects through Alternatives Analysis, which will identify a preferred alternative for each project.

The Port has subsequently identified additional Early Projects to seismically strengthen Pier 50, home to the Port's Maintenance Facility in the Port's Southern Waterfront.

The Waterfront Resilience Program will use Proposition A and other early program funding to implement Early Projects. The Port is currently assessing the overlap between Early Projects and the USACE Recommended Plan to eliminate redundant shoreline resilience efforts and to focus Program spending in a manner that can leverage future federal funding. This assessment will drive decision-making regarding the timing and scope of the Early Projects going forward.

Program Funding. In 2017, the City convened a Seawall Finance Working Group to analyze sources and recommend a funding plan for the program. The funding plan included a $425 million General Obligation Bond, which was overwhelmingly approved by voters in 2018. Additionally, in 2019, the Port secured a $5 million appropriation from the State of California. The Port has secured $7.8 million in competitive funding from the California Coastal Conservancy to align early Program investments and shoreline investments from the Piers 30-32 and Seawall Lot 330 project with the USACE Recommended Plan. The Port's Waterfront Resilience Program is also pursuing grant funding at the federal level, with a recent notice that FEMA has selected the Port's application for $50 million towards the Downtown Coastal Resilience Project for further review in the national competition for Building Resilience Infrastructure and Communities (BRIC) funding.

As mentioned earlier, during the fiscal year 2023-24, approximately $14,473,000 was spent related to the Waterfront Resilience Program. The City and the Port continue to seek other sources of revenue to fully fund the Waterfront Resilience Program.

Ten-Year Capital Plan. City Administrative Code Section 3.20 requires the City to produce a Ten-Year Capital Plan (Capital Plan) that is updated every two years, alternating with the City's current biennial budget process. The Capital Plan distinguishes between renewal work and enhancements. Renewal work returns an existing facility to its original state of good repair, whereas enhancements improve or increase asset performance. The most recent version of the Capital Plan, adopted by the Port Commission in June 2023 (2024-2033 Capital Plan), identifies $4.1 billion in capital investments, including $2.2 billion needed to fund deferred maintenance and subsystem renewals on Port facilities. This amount represents the anticipated cost over the next ten years to maintain Port facilities in a state of good repair. The Port uses facility condition surveys to identify and prioritize maintenance projects that preserve and extend the economic life of the Port's productive assets. The 2024-2033 Capital Plan identifies an additional $1.9 billion for enhancement projects. The enhancement category includes $589.0 million for the Waterfront Resilience Program, $641.8 million for conditional seismic work, and $670.6 million for other improvements.

The Port's need for capital investments has historically outpaced available funding. The Port applied a multi-pronged approach to this challenge, including dedicated funding to capital, securing new external sources of funding, and targeting available funds to strategic projects. The 2024-2033 Capital Plan identifies $1.8 billion in available funding sources during the ten-year period. The anticipated sources include a mix of Port capital funds; private sector development project funding; City general obligation bond proceeds for parks, open space, and the Waterfront Resilience Program; tenant contributions pursuant to improvement and maintenance obligations required under existing leases; and federal, state, and local grants.

Development projects continue to be a significant driver for certain waterfront improvements. The current capital plan projects $806.5 million in development project funding over ten years, supported by a mix of public and private sources.

The Port worked to increase the resources it allocates to address capital requirements. In 2012, the Port Commission adopted a capital budget expenditure funding policy that both designates a minimum percentage set aside of annual operating revenues to fund capital projects and allocates one-time to capital expenditures. Pursuant to this, the Port designated a minimum of 25% of operating revenue in its operating budget to fund capital expenditures. The Port's budget met or exceeded its capital funding target every year between 2012 and 2020 until COVID-19 affected revenue streams, forcing reductions to the fiscal year 2020-21 and fiscal year 2021-22 capital appropriations below the required target. In fiscal year 2022-23 and 2023-24 budgets, COVID-19 revenue impacts continued to push Port funded capital investments below the required level; however, the award of approximately $117.0 million in stimulus from the State of California pushed capital investment above the requirement. Fiscal years 2024-25 and 2025-26 are projected to remain below the 25% target.

The plan projects that at the end of the ten-year period, the Port will have invested $1.8 billion to fund both renewals and enhancements, leaving a backlog of $1.7 billion for renewal work. The backlog consists of projects for which the Port (1) does not currently have sufficient funds to cover the estimated costs to repair and renew the facility and (2) has not issued a request for proposals (RFP) or entered into negotiations with a developer to finance the upgrades. The Port has several options available to fund unmet needs: new public-private partnership development projects, new Port debt, general obligation bonds, grant opportunities, and infrastructure financing districts. Each new funding option requires substantial staff time to develop and implement policymaker support. These financing tools may also require the support of regulatory bodies such as the California State Lands Commission and the San Francisco Bay Conservation and Development Commission.

Legislative and Funding Efforts. Since 2005, the Port has pursued state and local legislative changes to increase the options available to fund the Port's future capital requirements and to expand the range and profitability of uses on Port property. The Port's current federal and state legislative program focuses on securing funding for the Waterfront Resilience Program and shoreline improvements to enhance resilience and address sea-level rise. The Port has successfully obtained authority to: (1) capture the state and local share of certain property tax increment revenues that would otherwise be paid to the state and local entities, (2) form Infrastructure Finance Districts (IFDs) and issue IFD bonds against incremental property tax revenues, and (3) form Community Facility Districts to finance the public portion of several public-private development projects. Legislative efforts to support the Waterfront Resilience Program include the approval of Proposition A, the Seawall Earthquake Safety Bond in November 2018, and the award of a $5 million grant from the California Department of Natural Resources in February 2019. The Port is also pursuing state and federal support as well as private funding and partnerships to ensure a safe and inspiring waterfront for generations to come. To date, the Port has secured approvals of shoreline special taxes for the Pier 70 and Mission Rock projects to address sea-level rise and flood risk on Port property. In 2024, the Port was an instrumental part of a coalition that succeeded in advocating for the inclusion of $350 million through the California Coastal Conservancy for sea level rise adaptation for ports and urban waterfronts in SB 867, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, scheduled for a vote on the November 5, 2024 California ballot.

In March 2016, the Board of Supervisors adopted Ordinance No. 27-16, which established an IFD and approved an Infrastructure Financing Plan for the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco). The activation of project or sub-project areas within the contemplated Port IFD will occur as entitled development activities progress. The following have been activated: Sub-Project Area G-1 (Pier 70 – Historic Core) by Ordinance No. 27-16; Project Area I (Mission Rock) and Sub-Project Areas I-1 through I-13 by Ordinance No. 34-18; and Sub-Project Areas G-2, G-3 and G-4 (Pier 70 – 28 Acre Site) by Ordinance No. 220-18.

The Port and its development partners seek to take full advantage of special use district financing tools to fund necessary public infrastructure and make development projects feasible. In addition to IFDs, the infrastructure financing plans for certain Port development projects contemplate the formation and implementation of community facility districts (CFDs), which are special tax districts established by local governments in California and commonly referred to as Mello-Roos.

In September 2019, the Board of Supervisors approved an Ordinance amending the City and County's Administrative Code Special Tax Financing Law, constituting Article 43.10, to authorize special tax financing of certain facilities and services related to the Pier 70 and Mission Rock Developments. The City, on behalf of the City's Special Tax District No. 2020-1 (Mission Rock Facilities and Services), issued Development Special Tax Bonds, Series 2021A in the amount of $43,300,000 in May 2021. The City issued additional Development Special Tax Bonds for the District in the fall of 2021 in the amount of $64,280,000, comprised of $54,280,000 from taxable Series 2021B and $10,000,000 from tax-exempt Series 2021C. In December 2023, the City issued another series of bonds for the Special Tax District: Series 2023A Development Special Tax Bonds in the amount of $8,795,000, Series 2023B Office Special Tax Bonds in the amount of $19,090,000, and Series 2023C Shoreline Tax Zone 1 Special Tax Bonds in the amount of $18,010,000.

Stimulus Fund. The Port was awarded $117,086,000 in stimulus from the California State Lands Commission. The Port has fully received the funds as of June 30, 2023. Of this COVID-19 stimulus, $19,122,000 was spent on eligible expenses in fiscal year 2023-24, which include $10,551,000 in operating expenses and $8,571,000 in capital expenses. The remaining unspent stimulus in the amount of $64,655,000 is reserved to cover future operating and capital expenses.

Waterfront Land Use Plan. The Port's Waterfront Land Use Plan (Waterfront Plan) establishes land use, design, and other policies to guide management and the improvements of properties and resources under the Port's jurisdiction. The Port Commission initially adopted the Waterfront Plan in 1997. The Plan has enabled the Port Commission, the City, and the community to jointly define locations for new maritime, recreational, and public-private partnership projects along the waterfront. The Port commenced a three-year public process to update the Waterfront Plan in 2015, led by a Waterfront Plan Working Group. This working group produced 161 Port-wide policy recommendations that were incorporated into an updated Waterfront Plan in December 2019. In April 2023, the Port Commission approved the Final Waterfront Plan and the Environmental Impact Report (EIR) for the Plan, required under the California Environmental Quality Act. More information can be found at Waterfront Plan Update.

Amendments to the San Francisco General Plan were approved in Fall 2023 to align with the Waterfront Plan. The Port is currently working with the San Francisco Bay Conservation and Development Commission (BCDC) to amend BCDC's San Francisco Waterfront Special Area Plan to also align with the Waterfront Plan.

The 1997 Waterfront Plan identified several locations where mixed-use developments, including maritime, open space, and public access uses are encouraged. Such projects are generally undertaken as public-private partnerships, wherein the Port enters into a development agreement and a long-term lease with a private developer that is usually selected through a request for proposal process. Active development activities include:

Pier 70 Area

Pier 70 is approximately 69 acres, located on San Francisco's Central Waterfront, generally between 18th and 22nd Streets, east of Illinois Street. In April 2014, the National Park Service approved the Port's nomination for the Union Iron Works Historic District at Pier 70 and listed the District in the National Register of Historic Places. As discussed in more detail in Note 14, the Port completed an environmental investigation and risk assessment of the project area. The Port Commission endorsed the Pier 70 Master Plan in May 2010. The Plan balances historic preservation, new waterfront parks, and new development. It identified over three million square feet of potential new buildings and 700,000 square feet of building rehabilitation.

Historic Core - In February 2012, the Port Commission selected a developer and in May 2012 entered into an exclusive negotiation agreement (ENA) for the lease, rehabilitation, and development of the Pier 70 20th Street Historic Buildings. The developer defined a use program of office, light industrial, and commercial uses to revitalize the eight buildings in this project. In October 2012, the Port Commission endorsed a non-binding term sheet describing the fundamental deal terms. In December 2012, the Board of Supervisors added its endorsement of the term sheet and found the proposed development fiscally feasible under Chapter 29 of the Administrative Code. The Port and the developer executed the lease in July 2015. Construction of core and shell improvements commenced in August 2015, and the first building became available for occupancy in June 2017. In the fall of 2022, the project achieved substantial completion with the opening of Building 101. In July 2023, the Port started reviewing a certified project cost statement provided by the developer to terminate the Lease Disposition and Development Agreement ("LDDA"). The Port issued the formal Certificate of Completion and the LDDA was terminated during Fall 2024.

Waterfront Site - This project area requires significant infrastructure investment and land use approvals to redeploy a largely vacant portion of Pier 70 for fresh uses in new buildings alongside three historic buildings that will be rehabilitated and adaptively reused. In May 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental deal terms for the project. The Board of Supervisors endorsed the term sheet in June 2013 and determined the proposed development to be fiscally feasible under Chapter 29 of the Administrative Code. The passage of Proposition F in 2014 allowed a 90-foot height limit for the site. The land use program for the 28-acre Waterfront Site, as defined within the proposed Pier 70 Special Use District amendments to the Planning Code, allows the development of approximately 1,100 to 2,150 new residential units, between one million and two million gross square feet of commercial and office space, and small-scale manufacturing, retail, neighborhood services, waterfront parks, and public infrastructure. The master developer secured necessary project entitlements, including certification of the Final Environmental Impact Report, in Fall 2017.

Development of the Waterfront Site, which will occur in three phases, is governed by the Disposition and Development Agreement, Development Agreement, and Master Lease with the master developer. In March of 2019, construction of Phase 1 horizontal infrastructure began including installation of utilities, and Maryland Street, Louisiana Street, 21st Street, and 22nd Street, as well as surface improvements began. The horizontal infrastructure excluding parks that will be constructed on a schedule that coincides with the delivery of adjacent vertical development was substantially completed in November of 2022 and accepted by the City for maintenance and liability purposes in April of 2024. The master developer also completed the rehabilitation of historic Building 12. Leasing efforts are underway but have not yet exercised its options for any of the Phase 1 development parcels, primarily due to the ongoing economic impacts and uncertainties caused by the COVID-19 pandemic, and high construction costs.

Seawall Lot 337 and Pier 48 ("Mission Rock")
In 2010, the Port entered into an Exclusive Negotiation Agreement (ENA) with Seawall Lot 337 Associates, LLC for the mixed-use development of Seawall Lot No. 337 (SWL 337) and the adjacent Pier 48. Pursuant to the ENA, in 2012, the developer submitted its revised proposal for a flexible mixed-use development at the site, balancing residential, office, retail, exhibition, and parking use. In 2013, the Port Commission and the Board of Supervisors endorsed a non-binding term sheet describing the fundamental negotiated elements and proposed financial terms for the lease and development of the project site. The Board of Supervisors also found the proposed development fiscally feasible under Chapter 29 of the Administrative Code. In 2014, the Port Commission approved an Amended and Restated ENA affording the developer additional time to accomplish the additional steps required due to Proposition B (June 2014). With the passage of Proposition D in 2015, the developer obtained voter approval of the project's proposed maximum building heights. The project secured necessary approvals in 2018 from the Port Commission, the Board of Supervisors, and the State Lands Commission and received Bay Conservation and Development Commission permit approval in June 2018. Transaction documents, including the disposition and development agreement and financing plan for the fully entitled project, were executed in August 2018, and the Port Commission approved the Phase 1 budget in September 2019.

Construction of Phase 1, including horizontal infrastructure and vertical buildings broke ground in 2020. Vertical construction is nearing completion as four Phase 1 parcels have received a Temporary Certificate of Occupancy ("TCO") and Certificates of Final Completion and Occupancy ("CFCO") are now being processed which will also allow the Port to formally terminate the Vertical Disposition and Development Agreement ("VDDA") for each parcel: Parcel A is open and being leased up with new rental residents, office tenants, and ground-floor retail tenants. Parcel B is complete and being marketed to prospective office tenants, and ground-floor retail leasing is underway. Parcel F is open and being leased up with new rental residents, office tenants, and ground floor retail tenants. The developer submitted the Phase 2 application in December 2022 and, along with the Port, is monitoring market and financing conditions to assess a feasible 2nd phase. The City, on behalf of the City's Special Tax District No. 2020-1 (Mission Rock Facilities and Services), issued Development Special Tax Bonds, Series 2021A in the amount of $43,300,000 in May 2021. The City issued additional Mission Rock Facilities and Services CFD Bonds in the fall of 2021, in the amount of $64,280,000, comprised of $54,280,000 from taxable Series 2021B and $10,000,000 from tax-exempt Series 2021C. These are not the Port's revenue bonds but debt of the Mission Rock CFD. Finally, the developer is nearing completion of all Phase 1 infrastructure, including new streets, sidewalks, utilities, and open spaces including China Basin Park. The City and Port are working closely with the developer to formally accept these improvements with the goal of completing this effort in late 2024 or early 2025.

Alcatraz Embarkation
The Pier 31½ marginal wharf is currently the embarkation point for visitors to Alcatraz Island, a major tourist destination run by the National Park Service (NPS). NPS has partnered with Golden Gate National Parks Conservancy (GGNPC), and GGNPC selected Alcatraz Cruise as its ferry concessionaire. Both parties are working together with the Port to transform the site, which was constructed for relatively short-term use, into a first-class embarkation site with the option to lease for up to 50 years. The long-term designation of the site as the entry to Alcatraz incentivizes a significant investment to create high-quality visitor amenities and interpretation. The proposed project includes: (1) renovation of the interiors of the Piers 31 and 33 bulkheads (approximately 18,000 square feet of gross leasable area); (2) improvements to

43,000 square feet of marginal wharf for a pedestrian-only area with public open space, passenger queueing, and site circulation; (3) addition of a second float to increase ferry capacity; (4) improvements to 13,200 square feet of support, storage, and parking area within the Pier 31 and Pier 33 sheds; (5) installation of shoreside electrical power for hybrid-electric ferry vessels; and (6) repairs to the substructure of the Pier 31½ marginal wharf. The Port Commission and the Board of Supervisors endorsed a term sheet for the project in 2016. The Port Commission approved entitlements and transaction documents in June 2018, and the Board of Supervisors approved the project in September 2018. Construction will be phased, with multiple parties performing the work under different leases with different start dates. Repairs and improvements to the substructure of Pier 31½ and adjacent apron structures were completed in 2019. The Port's tenants at the site are pursuing the improvements, and the construction of phase 1 improvements to the Pier 31 bulkhead was completed at the end of 2023. The full build-out of the site is expected to be completed by late 2026.

Seawall Lots 323 and 324

In 2015, the Port Commission approved an ENA with Teatro ZinZanni and a financial partner, operating together as TZK Broadway, LLC, for the lease and development of Seawall Lots 323 and 324. The project includes a dinner theater, a maximum 200-room, 40-foot-high boutique hotel, an approximately 14,000 square feet of privately financed public park, and ancillary uses. This project was further refined through the entitlement process, and its hotel room count is now 192. The Port Commission and the Board of Supervisors both endorsed a non-binding term sheet for the project in 2016. On September 10, 2019, pursuant to Resolution 19-36, the Port Commission approved the proposed lease for this project. On January 14, 2020, the Board of Supervisors adopted Resolution No. 05-20, approving the proposed lease as well. The developer has secured project entitlements and is currently seeking building permits and construction financing. As hotel occupancy has not recovered to the pre-pandemic levels, the developer is seeking appropriate financing. The project timeline is delayed due to economic factors. The developer has changed the anticipated date to close escrow to late 2025 or early 2026.

Mission Bay Ferry Landing Terminal

The Mission Bay Ferry Landing will provide regional ferry service to and from San Francisco's Mission Bay, Dogpatch, Potrero Hill, Pier 70, and Central Waterfront neighborhoods. The ferry landing will provide the capability to berth two ferry boats simultaneously with the capacity to handle up to 6,000 passengers per day. The terminal is essential to alleviate regional transportation overcrowding and provide transportation resiliency in an earthquake, BART or Bay Bridge failure, or other unplanned events. The Port is leading the project in collaboration with the Water Emergency Transportation Agency (WETA) alongside support from the Mayor's Office, the Office of Economic and Workforce Development, and consulting design teams. The project design and environmental permitting are complete. Dredging and site preparation (Phase 1) was completed in 2020. Due to project funding limitations, litigation, and the financial impact of COVID-19, the Port revised the project timetable. However, as a short-term solution, the Port and WETA constructed an interim ferry landing at Pier 48½ with financial support from Golden Gate Transit. The interim facility opened in fall 2019. The Port is currently working with WETA to establish a schedule for constructing the permanent facility, with completion possible as early as 2026.

Potrero Power Station Project and Development Agreement

In February 2020, the Port Commission authorized a 66-year lease between California Barrel Company (CBC) and the Port on 1.6 acres of waterfront property within the larger Potrero Power Station Development Project. CBC is the project sponsor of the Potrero Power Station project, a 5.4 million square feet development managed by the City's Office of Economic and Workforce Development through a Development Agreement. The project, situated adjacent to the Port on City land, will include over 2,500 housing units, 1.6 million square feet of commercial space, and over 75,000 square feet of community and assembly uses. Through the approved lease and development agreement, CBC will construct approximately seven acres of public parks and open space, including 1.6 acres on Port property. The lease for the Port land is one dollar a year for 66 years.

Park Projects

Since 2008, the Port has received funding from two park bond issues, $34.5 million from the 2012 bond measure and $33.5 million from the 2008 measure. Port projects funded by the 2012 bond issue include the Cruise Terminal Plaza fronting the James R. Herman Cruise Terminal at Pier 27, Agua Vista Park, Crane Cove Park, and improvements to Islais Creek and Heron's Head Park. The 2008 bond issue funded projects include a promenade at Pier 43½ in Fisherman's Wharf, the Brannan Street Wharf Park, Bayfront Park, Crane Cove Park, Islais Creek, Bayview Gateway, improvements to Heron's Head Park, and Heron's Park Shoreline Stabilization. Through June 30, 2024, the Port expended approximately $106.7 million for park projects, including $66.4 million from the park bonds and $40.3 million from other funds.

Requests for Information

This report is designed to provide a general overview of the Port's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Public Information Officer at Port of San Francisco, Pier 1, San Francisco, California, 94111. Additional information concerning the Port can also be found at www.sfport.com. Questions concerning the City and County of San Francisco or requests for a copy of the City's Annual Comprehensive Financial Report should be addressed to: Office of the Controller, City and County of San Francisco, City Hall Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102. Additional information concerning the City may also be found at www.sfgov.org.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Net Position
June 30, 2024 and 2023
(dollar amounts in thousands)

	2024	2023
Assets		
Current assets:		
Unrestricted:		
Cash and investments held in City Treasury (Note 3)	$ 387,022	$ 336,948
Cash held outside of City Treasury (Note 3)	1	5
Receivables, net (Note 4)	14,809	24,153
Current lease receivables (Note 12)	43,882	41,963
Due from other City funds (Note 11)	576	-
Accrued interest receivable	4,589	2,323
Accrued interest receivable related to leases	3,741	3,088
Materials and supplies	1,933	1,875
Prepaid charges and advances	79	176
Total unrestricted current assets	456,632	410,531
Restricted:		
Cash and investments held in City Treasury (Note 3)	44,524	58,686
Cash and investments held outside of City Treasury (Note 3)	5,303	5,402
Total restricted current assets	49,827	64,088
Total current assets	506,459	474,619
Noncurrent assets:		
Capital assets (Note 5 and Note 12):		
Nondepreciable	118,971	117,432
Depreciable, net	312,795	312,812
Intangible lease assets, net (Note 12)	60,307	62,730
Capital assets, net	492,073	492,974
Unrestricted other noncurrent assets (Note 6)	2,048	2,249
Long-term lease receivables (Note 12)	465,982	463,121
Long-term accrued interest receivable related to leases	633	469
Total noncurrent assets	960,736	958,813
Total assets	1,467,195	1,433,432
Deferred outflows of resources		
Deferred outflows of resources from refunding of debt (Note 7)	139	148
Deferred outflows of resources related to pension (Note 8)	19,035	14,987
Deferred outflows of resources related to other postemployment benefits (OPEB) (Note 10)	7,439	5,702
Total deferred outflows of resources	26,613	20,837

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Net Position (Continued)
June 30, 2024 and 2023
(dollar amounts in thousands)

	2024	2023
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,552	$ 6,353
Accrued interest payable	1,120	1,169
Accrued interest payable leases	132	135
Accrued payroll	2,839	2,695
Accrued vacation and sick leave pay (Note 7)	1,915	1,818
Accrued workers' compensation (Notes 7 and 15)	808	611
Estimated claims payable (Notes 7 and 15)	300	225
Current maturities of long-term obligations (Note 7)	3,129	3,012
Pollution remediation obligations (Notes 7 and 14)	4,030	1,350
Unearned rents and advance payments	3,376	3,948
Rent credits due to tenants	2,556	2,564
Current lease liabilities (Note 12)	1,574	1,555
Lessee and other deposits	10,981	11,509
Total current liabilities	38,312	36,944
Noncurrent liabilities:		
Accrued vacation and sick leave pay (Note 7)	1,460	1,684
Accrued workers' compensation (Notes 7 and 15)	2,639	2,272
Estimated claims payable (Notes 7 and 15)	200	405
Long-term obligations - net of current maturities (Note 7)	67,017	70,363
Pollution remediation obligations (Notes 7 and 14)	12,000	9,575
Net pension liability (Note 8)	28,928	21,192
Net OPEB liability (Note 10)	29,886	30,862
Long-term lease liabilities (Note 12)	64,307	65,881
Rent credits due to tenants	38,198	40,758
Unearned grants (Note 4)	65,346	84,784
Total noncurrent liabilities	309,981	327,776
Total liabilities	348,293	364,720
Deferred inflows of resources		
Deferred inflows of resources related to pensions (Note 8)	2,245	4,830
Deferred inflows of resources related to OPEB (Notes 10)	4,610	6,573
Deferred inflows of resources related to leases (Notes 12)	510,778	512,492
Total deferred inflows of resources	517,633	523,895
Net position		
Net investment in capital assets	317,705	313,084
Restricted for capital projects	34,093	47,811
Unrestricted	276,084	204,759
Total net position	$ 627,882	$ 565,654

The accompanying notes are an integral part of these financial statements.

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and 2023
(dollar amounts in thousand)

	2024	2023
Operating revenues (Note 12):		
Commercial and industrial	$ 63,247	$ 66,315
Parking	21,222	21,271
Cruise	9,428	10,382
Cargo	7,371	7,028
Fishing	2,683	2,559
Harbor services	7,519	7,394
Other maritime	7,712	6,114
Other	15,407	7,604
Total operating revenues	134,589	128,667
Operating expenses:		
Personal services	46,429	36,988
Contractual services	24,356	21,283
Utilities	4,183	5,110
Materials and supplies	1,648	1,189
Depreciation and amortization (Note 5 and Note 12)	26,100	25,272
General and administrative (Note 12)	2,539	2,120
Services provided by other City departments (Note 11)	31,960	27,830
Pollution remediation (Note 14)	5,105	1,242
Other	1,305	2,150
Total operating expenses	143,625	123,184
Operating income/(loss)	(9,036)	5,483
Nonoperating revenues (expenses):		
Interest and investment income	30,102	13,950
Operating grants and transfers	20,756	22,028
Proceeds from insurance	3,882	-
Settlements	199	3,238
Loss from lease terminations	(167)	(135)
Gain (loss) from dispositions, net	(79)	1
Gain from transfer of land	5,860	-
Interest expense	(4,376)	(4,530)
Other revenues	365	203
Other contributions	(11)	-
Total net nonoperating revenues	56,531	34,755
Change in net position before capital contributions	47,495	40,238
Capital contributions:		
Other contribution from developer	14,241	-
Grants from government agencies and other contributions	492	39,369
Change in net position	62,228	79,607
Net position, beginning of the year	565,654	486,047
Net position, end of the year	$ 627,882	$ 565,654

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Cash Flow
For the Years Ended June 30, 2024 and 2023
(dollar amounts in thousand)

	2024	2023
Cash flows from operating activities:		
Cash received from tenants for rent	$ 90,554	$ 89,808
Cash received from customers and others	55,148	33,817
Deposits received from tenants and customers	711	1,142
Cash paid to employees for services	(51,624)	(47,090)
Cash paid to suppliers for goods and services	(49,026)	(34,954)
Cash paid to the City for services	(29,778)	(26,134)
Customer deposits returned	(715)	(387)
Net cash provided by operating activities	15,270	16,202
Cash flows from noncapital financing activities:		
Contributions and receipts from other City Departments	-	90
Operating grants	862	116,429
Proceeds from insurance	3,882	-
Payment for other contributions	(11)	-
Proceeds from miscellaneous settlements	199	3,238
Proceeds from other revenues	365	203
Net cash provided by noncapital financing activities	5,297	119,960
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(9,248)	(8,637)
Interest payments on lease related capital and financing	(1,601)	(1,638)
Payment of lease liabilities	(1,555)	(1,520)
Payments of long-term debt	(3,012)	(3,623)
Interest payments on long-term debt	(3,025)	(3,162)
Capital grants and contributions received	260	4,104
Capital contributions received from the City	492	39,325
Repayment from loan to developer	136	130
Interest payments on loan to developer	24	24
Proceeds from sale of equipment and materials	2	1
Proceeds from transfer of land	5,860	-
Net cash provided by (used in) capital and related financing activities	(11,667)	25,004
Cash flows from investing activities:		
Interest and investment income	26,974	11,053
Change in cash and cash equivalents	35,874	172,219
Cash and cash equivalents, beginning of year	400,776	228,557
Cash and cash equivalents, end of year	$ 436,650	$ 400,776

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Cash Flow (Continued)
For the Years Ended June 30, 2024 and 2023
(dollar amounts in thousand)

	2024	2023
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	$ (9,036)	$ 5,483
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	26,100	25,272
Decrease in allowance for doubtful accounts	(5,198)	(114)
Net effects of (increase) decrease in:		
Receivables	14,738	(508)
Lease receivables	(9,714)	12,417
Tenant deposits held outside City Treasury	65	3
Due from other City funds	(576)	369
Materials and supplies	(58)	(301)
Prepaid charges, advances and other assets	138	41
Net effects of increase (decrease) in:		
Accounts payable and accrued expenses	(2,592)	1,400
Accrued payroll	144	522
Accrued vacation and sick leave pay	(127)	96
Accrued workers' compensation	564	336
Estimated claims payable	(130)	130
Pollution remediation obligations	5,105	1,242
Net OPEB liability and related deferred outflows/inflows of resources	(4,676)	(2,253)
Rent credits, unearned rent and other liabilities	(3,668)	(1,547)
Net pension liability/asset and related deferred outflows/inflows of resources	1,103	(7,109)
Lease liabilities and deferred inflows of resources related to leases	3,088	(19,277)
Net cash provided by operating activities	$ 15,270	$ 16,202
Noncash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued expenses	$ 2,829	$ 1,038
Capital contribution received	-	45
Other asset received from developer	14,241	-
Facility improvement contributed by tenant	-	941
Reclassification of inventory materials to construction improvement	-	376
Pier 70 and Mission Rock CFDs promissiory notes and accrued interest	4,324	4,086
Allowance for CFDs promissiory notes and accrued interest	(4,324)	(4,086)
IFDs developer project cost reimbursements	2,723	-
Allowance for IFDs developer project cost reimbursements	(2,723)	-
Reconciliation of cash and equivalents to the statement of net position:		
Cash and investments held in City Treasury		
Unrestricted	$ 387,022	$ 336,948
Restricted	44,524	58,686
Cash and investments held outside City Treasury		
Unrestricted	1	5
Restricted	5,303	5,402
Cash and equivalents	436,850	401,041
Less: Investment outside of City Treasury not meeting the definition of cash equivalents	(200)	(265)
Total cash and cash equivalents	$ 436,650	$ 400,776

The accompanying notes are an integral part of these financial statements.

1. Organization

The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City). Only the accounts of the Port are included in these financial statements. There are no component units that should be considered for inclusion in the Port's financial reporting entity. A five-member Port Commission is responsible for the organization's operation, development, and maintenance. Commission members are appointed by the Mayor and confirmed by the Board of Supervisors for fixed terms of four years. The Port is a department of the City, and the accompanying financial statements are included in the City's basic financial statements. The financial statements of the Port are intended to present the activity of the City that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior to February 1969, the Port was owned and administered by a state agency, the San Francisco Port Authority. In February 1969, the State of California (State) transferred the Port in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended and ratified by the City's voters in November 1968. Under the terms of the Burton Act, the State Legislature reserves the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise, and other maritime activities. Substantially, all of the Port's property rental customers are located within the boundaries of the City. Port revenues are held in a separate fund (Harbor Fund) and are appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under the public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, these revenues may be spent only for uses and purposes of the public trust.

2. Significant Accounting Policies

Basis of Accounting

The Port's financial statements are prepared using the economic resources measurement focus and the accrual basis in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred. The statement of net position presents the residual difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as the net position. Net position is reported in three broad components, as applicable – net investment in capital assets, restricted, and unrestricted. Under the all-inclusive approach to presenting the changes in net position, all Port revenues, including capital contributions, are reported in the statement of revenues, expenses, and changes in net position.

2. Significant Accounting Policies (Continued)

Cash Equivalents

The Port considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Port's cash and investments in the City Treasury are, in substance, demand deposits and are considered cash equivalents.

Investments

The Port reports its investments at fair value in the accompanying financial statements, and the corresponding change in fair value of investments is reported in the year in which the change occurs. Money market investments with a remaining maturity at the time of purchase of one year or less are valued at amortized cost.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement that uses observable market transactions or available market information.

Restricted Cash and Investments

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statement of net position. These assets are primarily restricted for construction and debt service purposes. Bond interest and redemption represent funds accumulated for debt service payments due in the next twelve months and reserve funds set aside to make up potential future deficiencies. A bond trustee holds these funds.

Cash security deposits received by the Port pursuant to lease agreements are held in the City Treasury. Other lessee deposits are renewable certificates of deposit tendered by tenants in lieu of cash and held by banks as third-party certificates in the name of the Port.

Capital outlay funds are restricted for use in construction and acquisition of equipment, due to restrictions from grant agreements and bond resolutions. It is the Port's policy first to apply restricted resources when both restricted and unrestricted resources are available to cover the expenditure.

Materials and Supplies

Materials and supplies are used for the construction and maintenance of Port facilities and are stated at average cost. The Port, at various times, receives donated materials and supplies and recognizes the donations in the period received, at fair value.

Lease Receivables and Lease Liabilities

The Port, as a lessor, recognizes lease receivables and deferred inflows of resources at the commencement of the lease term. The Port, as a lessee, recognizes lease liabilities and intangible lease assets at the commencement of the lease term. The lease receivables and liabilities are measured at the present value of the lease payments expected to be received or paid during the lease term. For a detailed discussion on lease receivables, deferred inflows of resources for lease receivables, lease liabilities, and intangible lease assets, refer to Note 12 Leases.

2. Significant Accounting Policies (Continued)

Capital Assets

Land transferred to the City in February 1969 is stated at an amount that includes an increase over the historical cost of $56,063,000. This amount was recorded by the State to reflect appraised values in 1929 and carried forward in the accounting records transferred to the City.

Capital assets purchased are stated at cost. It is the policy of the Port to capitalize expenses or assets with net present value of more than $100,000 for infrastructure and facilities and improvements and $5,000 for equipment and vehicles with an estimated useful life in excess of one year. Donated surplus equipment received from the federal government is carried at an acquisition value determined in accordance with federal guidelines. Depreciation and amortization expenses are calculated using the straight-line method over the following estimated useful lives of the assets:

Facilities and improvements	5 to 65 years
Machinery and equipment	2 to 30 years
Infrastructure	15 to 40 years
Intangible assets	Varies with type

Tenant improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the related lease. Maintenance and repairs are expensed as incurred. Dredging costs are amortized using the straight-line method over the estimated useful period ranging from one to seven years. Intangible lease assets are amortized using the straight-line method over the lease term.

Bond Premiums, Discounts, and Issuance Costs

Bond premiums and discounts are amortized using the straight-line method over the life of the bonds. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Gains or losses from Refunding of Debt

Gains or losses from the refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from the refunding of debt. The balances are amortized and recorded as a component of interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Facility Improvement Credits

Facility improvement credits are issued to certain tenants to finance certain facility improvements that are beneficial to the Port. These credits are recognized in accordance with the lease agreements by those tenants and applied against tenant rents over the leasehold period using the straight-line method.

2. Significant Accounting Policies (Continued)

Pollution Remediation Obligations

Pollution remediation obligations represent the accrued costs to address current or potential detrimental effects of existing pollution. These obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

Restricted Net Position

Restricted net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. A liability relates to restricted assets if the asset results from a resource flow that also results in recognition of a liability or if the liability will be liquidated with the restricted assets reported. Assets are considered restricted when constraints on consumption or use are imposed by third parties or enabling legislation.

Operating Revenues and Expenses

The Port distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from real estate leasing, maritime, and other principal ongoing activities of the Port's normal business operations. Real estate revenues consist principally of rentals of Port property to industrial, commercial, retail, office, and other business enterprises. Parking revenues include parking lot operations, metered on-street parking, and parking fine revenue. Maritime revenues are derived from vessel operations, warehousing, harbor services, and other maritime activities. Vessel operations include roll-on/roll-off ships for automobiles, dry, liquid bulk, and break-bulk cargoes, cruise, and other berthing. Other operating revenues include building permits and inspection fees. Operating expenses include facility maintenance, the cost of operations, administrative expenses, and depreciation and amortization on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contingent rentals are recorded or accrued only for periods in which thresholds for gross sales or revenues are met by the tenant. Use fees are recorded when the fee is earned, based on actual occupancy or use. Use fees are assessed by a measuring unit (e.g. lineal feet of the vessel for dockage) or measured time (e.g. per twenty-four-hour day). Maritime activity or use fees may be based on a standardized tariff schedule or covered by specific contractual agreements.

Capital Contributions

The Port, at various times, receives federal and state grants, proceeds from City general obligation bonds, and other funds and assets from external sources for the construction of waterfront facilities and improvements. The funds are reported as capital contributions on the statement of revenues, expenses, and changes in net position.

2. Significant Accounting Policies (Continued)

Effects of New Pronouncements

In 2023, the City and Port implemented GASB Statement No. 91, *Conduit Debt* Obligations; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements under GASB Statement No. 99, *Omnibus 2022*. The adoption of the above-mentioned GASB statements did not have a material impact on the Port's financial statements.

In 2024, the City and the Port implemented GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and the remaining requirements related to financial guarantees and derivative instruments under GASB Statement No. 99, *Omnibus 2022*. The adoption of the above-mentioned GASB statements did not have a material impact on the Port's financial statements.

The City and the Port are currently analyzing the potential impact of certain accounting standards pronouncements issued by the GASB, including GASB Statement No. 101, *Compensated Absences*; GASB Statement No. 102, *Certain Risk Disclosures*; GASB Statement No. 103, *Financial Reporting Model Improvements*; and GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Investments

The Port's cash and investments at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Cash and investments held in City Treasury	$ 387,022	$ 336,948
Cash held outside of City Treasury - imprest fund	1	5
Restricted assets:		
Cash and investments held in City Treasury	44,524	58,686
Cash and investments held outside of City Treasury:		
Cash and investments held by fiscal agents	5,103	5,137
Lessee deposits	200	265
Total cash and investments	$ 436,850	$ 401,041

3. Cash and Investments (Continued)

City Treasurer's Pool

The Port maintains its operating fund cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The notes to the basic financial statements of the City provide more detailed information concerning deposit and investment risks and fair value hierarchy disclosure associated with the City's pool of cash and investments at June 30, 2024 and 2023. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer, subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, is composed of various City officials and representatives of agencies with large cash balances. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The provisions of the City's investment policy also address interest rate risk, credit risk, and concentration of credit risk and provides for additional restrictions related to investments.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City's investment policy specifies authorized investment types and sets parameters for maximum maturity.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's pool is not registered with the SEC as an investment company and is not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code, and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered, or held by the City Treasurer's custodial agent in the City's name.

To address concentration of credit risk, the City's investment policy sets parameters pertaining to the maximum percentage of the total portfolio that may be invested in specific investment types and the maximum investment to one issuer for certain investment types. U.S. Treasury and Agency securities are not subject to this limitation.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the

3. Cash and Investments (Continued)

City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by federal deposit insurance by pledging authorized securities as collateral. The market value of pledged securities must equal at least 110 percent of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. The investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2024 and 2023, all of the banks holding funds deposited by the Treasurer secure those deposits with sufficient collateral.

The following table shows the maturity of the City's pooled investments:

	Investment maturities (in months)			
	Under 1	**1-6**	**6-12**	**12-60**
FY 2024	22.2%	19.5%	16.3%	42.0%
FY 2023	21.5%	18.0%	14.5%	46.0%

On June 30, 2024 and 2023, the City's pooled investments have a weighted average maturity of 1.25 years and 1.21 years, respectively.

Cash and Investments Held Outside of City Treasurer's Pool

Cash and investments held outside of the City Treasurer's Pool consist of cash, cash equivalents, and money market mutual funds. The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The money market mutual funds are recorded at net asset value and seek to provide daily liquidity while maximizing current income. Commercial paper at the time of purchase is within one year of their maturity dates and is recorded using the amortized cost method.

Investment classified in Level 2 of the fair value hierarchy is valued using matrix pricing techniques maintained by the various pricing vendors for these securities. Investments are priced based on evaluated prices, and such evaluated prices may be determined by factors that include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities, and developments related to specific securities.

3. Cash and Investments (Continued)

On June 30, 2024 and 2023, cash equivalents and investments held by fiscal agents consisted of the following (in thousands):

	2024	2023
Reserve accounts:		
Cash equivalents - U.S. Bank commercial paper	$ 1,237	$ 1,237
Money market mutual fund	2,636	2,733
Project account:		
Money market mutual fund	1,227	1,164
Debt service and other accounts:		
Cash equivalents - U.S. Bank commercial paper	3	3
	$ 5,103	$ 5,137

Investment of all funds and accounts held by trustees are governed by underlying trust documents, like the Bond Indenture and trust agreement for the Certificates of Participation, rather than the general provisions of the California Government Code or the City's investment policy.

A portion of the investments held by the bond trustee consists of the trustee bank's commercial paper (no term). The trustee bank's commercial paper has a Standard & Poor's rating of A-1 and a Moody's rating of P-1 on June 30, 2024 and 2023. The money market mutual fund has a Standard & Poor's rating of AAAm and a Moody's rating of Aaa-mf on June 30, 2024 and 2023.

Certain lessee security deposits are held on behalf of the Port by third party trustees and invested in renewable certificates of deposit. Deposits that are made by tenants directly to banks are held outside of the City Treasury and are not collateralized as public agency deposits.

4. Receivables and Unearned Grants

Receivables consisted of the following on June 30, 2024 and 2023 (in thousands):

	2024	2023
Accounts receivable from tenants and customers	$ 26,459	$ 39,562
Grants receivable	646	450
Other	3,900	5,535
Subtotal	31,005	45,547
Less allowance for doubtful accounts	(16,196)	(21,394)
Receivables, net	$ 14,809	$ 24,153

Other receivables consist principally of cost recoveries due from others pursuant to development or other agreements.

4. Receivables and Unearned Grants (Continued)

At June 30, 2024 and 2023, the Port reported $65,346,000 and $84,784,000, respectively, in unearned grants due primarily to an advance receipt of $117,086,000 in COVID-19 relief funds from the State in fiscal year 2022-23.

5. Capital Assets

A summary of changes in capital assets for years ended June 30, 2024 and 2023 are as follows (in thousands):

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets, not being depreciated/amortized:				
Land	$ 107,810	$ -	$ -	$ 107,810
Construction in progress	9,622	10,318	8,779	11,161
Total capital assets, not being depreciated/ amortized	117,432	10,318	8,779	118,971
Capital assets, being depreciated/amortized:				
Facilities and improvements	700,117	19,646	-	719,763
Machinery and equipment	32,395	1,657	729	33,323
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	69,999	-	75	69,924
Dredging	13,916	2,438	-	16,354
Infrastructure	33,929	-	-	33,929
Total capital assets, being depreciated/ amortized	852,620	23,741	804	875,557
Less accumulated depreciation/amortization for:				
Facilities and improvements	408,076	20,470	-	428,546
Machinery and equipment	23,160	1,303	648	23,815
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	7,269	2,423	75	9,617
Dredging	13,916	813	-	14,729
Infrastructure	22,393	1,091	-	23,484
Total accumulated depreciation/amortization	477,078	26,100	723	502,455
Total capital assets, being depreciated/amortized, net	375,542	(2,359)	81	373,102
Capital assets, net	$ 492,974	$ 7,959	$ 8,860	$ 492,073

5. Capital Assets (Continued)

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets, not being depreciated/amortized:				
Land	$ 107,810	$ -	$ -	$ 107,810
Construction in progress	11,571	7,866	9,815	9,622
Total capital assets, not being depreciated/ amortized	119,381	7,866	9,815	117,432
Capital assets, being depreciated/amortized:				
Facilities and improvements	689,360	10,757	-	700,117
Machinery and equipment	31,610	866	81	32,395
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	69,999	-	-	69,999
Dredging	13,916	-	-	13,916
Infrastructure	33,929	-	-	33,929
Total capital assets, being depreciated/ amortized	841,078	11,623	81	852,620
Less accumulated depreciation/amortization for:				
Facilities and improvements	388,349	19,727	-	408,076
Machinery and equipment	21,780	1,461	81	23,160
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	4,846	2,423	-	7,269
Dredging	13,916	-	-	13,916
Infrastructure	20,732	1,661	-	22,393
Total accumulated depreciation/amortization	451,887	25,272	81	477,078
Total capital assets, being depreciated/amortized, net	389,191	(13,649)	-	375,542
Capital assets, net	$ 508,572	$ (5,783)	$ 9,815	$ 492,974

Under a Disposition and Development Agreement between the Port and FC Pier 70, LLC, an affiliate of Brookfield Properties, the developer is required to construct public horizontal improvements including parks, streets, and utilities, which the Port or City, will accept for ownership, maintenance and liability purposes. The developer substantially commenced construction serving Phase 1 of the project in March of 2019. In April 2024, the City and the Port accepted irrevocable offers of public infrastructure associated with phase one of the Pier 70 Project, a 28-acre site, including improvements located within portions of 20th, 21st, 22nd, Illinois, Louisiana, and Maryland Streets according to Ordinance No. 066-24. During the year ended June 30, 2024, the Port recorded the capital contribution and accepted a portion of the phase I construction of the horizontal infrastructure valued at $14,241,000. Assets accepted by the Port included Louisiana Street, the structural frame of the former Building 15, a special sidewalk, in-street paving, and various other capital improvements constructed by the developer.

During the year ended June 30, 2024, the Port also received $5,860,000 from the transfer of the Port's property located on a portion of 1236 Carroll Avenue with book value of $0 to the City, which will be used as a new fire training facility for the San Francisco Fire Department.

Facilities and improvements include pier substructures, which have an estimated useful life greater than 50 years. The cost of such long-lived assets totaled $21,915,000 as of June 30, 2024 and 2023.

6. Other Noncurrent Assets

On June 30, 2024 and 2023, other noncurrent assets were $2,048,000 and $2,249,000, respectively. Other noncurrent assets include the long-term portion of the lease or other agreement obligations from tenants and customers. During fiscal year 2016-17, the Port and a developer entered into a promissory note for $1,500,000 to cover the cost of seismic and structural repairs to Building 113 at Pier 70. As of June 30, 2024 and 2023, the remaining principal balance was $1,048,000 and $1,184,000, respectively. On June 30, 2024 and 2023, the account balance includes interest receivable of $149,000 and $173,000, respectively, on the outstanding principal balance at the rate of 4.41% per annum, simple interest.

Community Facilities Districts

In September 2019, the Board of Supervisors approved an ordinance amending the City and County's Administrative Code Special Tax Financing Law, constituting Article 43.10, to authorize special tax financing of certain facilities and services related to the Pier 70 and Mission Rock developments.

In January 2020, the Board of Supervisors approved Resolutions of Formation of the City and County of San Francisco Special Tax Districts 2019-1 (Pier 70 Condominiums) and 2019-2 (Pier 70 Leased Properties). Subsequently, it approved ordinances levying special parcel taxes in the districts, which established the Pier 70 Condominium Community Facilities District and the Pier 70 Leased Properties Community Facilities District (collectively Pier 70 CFDs).

In April 2020, the Board of Supervisors approved a Resolution of Formation of the City and County of San Francisco Special Tax District 2020-1 (Mission Rock Facilities and Services) and subsequently approved an ordinance levying special taxes in the district, which established the Mission Rock Community Facilities District (Mission Rock CFD).

The City (acting through the Port) and the Pier 70 CFDs executed the following two promissory notes.

- Pier 70 Promissory Note LP and its companion Promissory Note X, effective February 2019, with a principal balance of $24,230,000 at a quarterly compounded interest rate of 3.89%. As of June 30, 2024 and 2023, the Port accrued interest receivable in the amount of $5,606,000 and $4,473,000, respectively.

- Pier 70 Promissory Note PC and its companion Promissory Note PCX, effective December 2018, with a principal balance of $6,500,000 at an annual interest rate of 10%. As of June 30, 2024 and 2023, the principal balance increased to $6,558,000 and $6,541,000, respectively, with the inclusion of reimbursable appraisal costs added to the principal balance. As of June 30, 2024 and 2023, the Port accrued interest receivable in the amount of $4,506,000 and $3,498,000, respectively.

Although the City and the Pier 70 CFDs expect full satisfaction of the notes, repayment by the Pier 70 CFDs is not expected in the near term, and the specific timing of repayment is uncertain. As such, the Port has recorded an allowance against the note receivable balance and related accrued interest.

6. Other Noncurrent Assets (Continued)

The City (acting through the Port) and the Mission Rock CFD executed the following promissory note.

- Mission Rock Promissory Note, related to ground leases for parcels A, B, F, and G, has an outstanding principal balance of $43,000,000 on June 30, 2024 and 2023 with an annual interest rate of 4.48%. In fiscal year 2019-20, the promissory note balance of $7,900,000 related to the ground lease for parcel G and 10% of parcels A, B, and F was executed. In October 2020, the promissory note balance of the remaining 90% of the ground leases for parcels A, B, and F were executed, increasing the value of the promissory note to $43,000,000. As of June 30, 2024 and 2023, the Port accrued interest receivable in the amount of $7,762,000 and $5,579,000, respectively.

  Under the Mission Rock Disposition and Development Agreement, the horizontal developer can ground lease all parcels. The ground leases for parcels A, B, F, and G were between the Port and vertical developer affiliates of the horizontal developer. Under the agreement, vertical developers leasing the initial parcels at the project prepay rent to the Port. Vertical developers that are affiliates of the horizontal developer can prepay in the form of a credit bid, which is a credit reducing a balance owed. The Port then lends the prepaid rent (whether in cash or as credit bid) to the Mission Rock CFD. The Mission Rock CFD credits or transfers in cash the prepaid rent to the horizontal developer to acquire facilities and, in turn, owes the Port the appraised value ($43,000,000) of the parcels evidenced by the above-mentioned promissory note. As of June 30, 2024 and 2023, the Mission Rock CFD credited the balance owed to the horizontal developer in the amount of $43,000,000.

Although the City and the Mission Rock CFD expect full satisfaction of the note, repayment by the Mission Rock CFD is not expected in the near term, and the specific timing of repayment is uncertain. As such, the Port has recorded an allowance against the note receivable balance and related accrued interest.

Infrastructure Facilities Districts

The City (acting through the Port) and the Infrastructure Financing District (IFD) that covers the Historic Core at Pier 70, Sub-Project Area G-1, executed a promissory note on June 18, 2024. The note documents a loan from the Port to the IFD to finance the relocation of electrical systems from Building 102 at the project site. The IFD will repay the loan to the Port with Allocated Tax Increment generated in Sub-Project Area G-1. The promissory note has a principal balance of $4,358,000, which represents the Port's cumulative disbursements to the IFD since fiscal year 2017-18. Interest is accrued annually at compounded interest rate of 4.40%. As of June 30, 2024, the Port accrued interest receivable in the amount of $1,245,000. Other eligible IFD reimbursable costs incurred by the Port include $175,000 related to streetscape improvements and $2,723,000 related to Phase 2 improvements for Crane Cove Park.

Although the City and the IFD expect full satisfaction of the note and reimbursable costs incurred, repayment by the IFD is not expected in the near term, and the specific timing of repayment is uncertain. As such, the Port has recorded full allowance against the note receivable balance, related accrued interest, and the reimbursable costs.

7. Bonds, Loans and Other Payables

The changes in bonds, loans, and other payables for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	June 30, 2023	Additional Obligations and Net Increases	Retirements and Net Decreases	June 30, 2024	Amounts Due Within One Year
Long-term debt:					
Revenue bonds	$ 38,490	$ -	$ 1,785	$ 36,705	$ 1,840
Certificates of participation	24,765	-	740	24,025	780
Net of premiums/discounts:					
For issuance premiums	3,891	-	217	3,674	-
Total bonds payable	67,146	-	2,742	64,404	2,620
Other payables:					
Loan payables	6,229	-	487	5,742	509
Lease liabilities (Note 12)	67,436	-	1,555	65,881	1,574
Accrued vacation and sick leave pay	3,502	2,121	2,248	3,375	1,915
Accrued workers' compensation (Note 15)	2,883	1,814	1,250	3,447	808
Estimated claims payable (Note 15)	630	-	130	500	300
Pollution remediation obligations (Note 14)	10,925	5,816	711	16,030	4,030
Long-term obligations	$ 158,751	$ 9,751	$ 9,123	$ 159,379	$ 11,756

	June 30, 2022	Additional Obligations and Net Increases	Retirements and Net Decreases	June 30, 2023	Amounts Due Within One Year
Long-term debt:					
Revenue bonds	$ 40,235	$ -	$ 1,745	$ 38,490	$ 1,785
Certificates of participation	26,175	-	1,410	24,765	740
Net of premiums/discounts:					
For issuance premiums	4,109	-	218	3,891	-
Total bonds payable	70,519	-	3,373	67,146	2,525
Other payables:					
Loan payables	6,695	-	466	6,229	487
Lease liabilities (Note 12)	68,956	-	1,520	67,436	1,555
Accrued vacation and sick leave pay	3,406	2,230	2,134	3,502	1,818
Accrued workers' compensation (Note 15)	2,547	1,358	1,022	2,883	611
Estimated claims payable (Note 15)	500	340	210	630	225
Pollution remediation obligations (Note 14)	9,683	3,368	2,126	10,925	1,350
Long-term obligations	$ 162,306	$ 7,296	$ 10,851	$ 158,751	$ 8,571

7. Bonds, Loans and Other Payables (Continued)

Annual debt service requirements for all bonds and loans outstanding as of June 30, 2024 are as follows (in thousands):

Fiscal Year Ending	Revenue Bonds		Certificates of Participation		State Loan Payables		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 1,840	$ 1,433	$ 780	$ 1,216	$ 509	$ 258	$ 3,129	$ 2,907
2026	1,890	1,381	815	1,177	532	235	3,237	2,793
2027	1,945	1,325	855	1,136	556	212	3,356	2,673
2028	2,000	1,265	900	1,092	581	187	3,481	2,544
2029	2,070	1,201	950	1,044	607	159	3,627	2,404
2030-2034	9,120	4,936	5,545	4,421	2,205	475	16,870	9,832
2035-2039	10,635	2,839	7,110	2,849	752	46	18,497	5,734
2040-2044	7,205	801	7,070	906	-	-	14,275	1,707
Total	$ 36,705	$ 15,181	$ 24,025	$ 13,841	$ 5,742	$ 1,572	$ 66,472	$ 30,594
Remaining interest rates		1.89% - 5.00%		4.75% - 5.25%		4.5%		

7. Bonds, Loans and Other Payables (Continued)

The Port Commission issued its Revenue Bonds under a Master Indenture ("Master Indenture") and a First Supplement to Indenture of Trust dated February 1, 2010, a Second Supplement to Indenture of Trust dated May 1, 2014, and a Third Supplement to Indenture of Trust dated February 1, 2020, which provide for, among other things, the issuance of one or more series of bonds, the general terms and conditions of the bonds, and certain covenants made by the Port Commission for the benefit of the bondholders. The Revenue Bonds are special limited obligations of the Port Commission secured by and payable solely from the net revenues of the Port and are not an obligation of the City.

In February 2020, the Port issued $23,780,000 in refunding revenue bonds in two series: a non-AMT tax-exempt series (Series 2020A) and a taxable series (Series 2020B). The purpose of the issuance of the Series 2020A and Series 2020B Bonds was to refund all outstanding Series 2010A and Series 2010B in the aggregate principal amount of $29,865,000. Series 2020A, original issued total of $10,885,000, has serial bonds of $10,885,000 outstanding at June 30, 2024 and 2023 with remaining coupon rates from 4.000% to 5.000% and remaining maturities from March 2031 through March 2040. Series 2020B, original issue total of $12,895,000, has serial bonds of $8,025,000 and $9,270,000 outstanding at June 30, 2024 and 2023, respectively, with remaining coupon rates from 1.894% to 2.408% and remaining maturities from March 2025 through March 2030. The Series 2020A and Series 2020B Bonds are not secured by a debt service reserve fund. Deferred outflows of resources from refunding of debt were $139,000 and $148,000 as of June 30, 2024 and 2023, respectively.

In May 2014, the Port issued $22,675,000 in revenue bonds in two series; an AMT tax-exempt series (Series 2014A) and a taxable series (Series 2014B). Series 2014A included serial and term bonds totaling $19,880,000 with coupon rates ranging from 3.00% to 5.00% and maturities from March 2020 to March 2044. Series 2014A bonds with scheduled maturities on or after March 2025 are subject to redemption as a whole or in part at the sole option of the Port at any time on or after March 2024 at redemption prices specified in the bond indenture. Bonds with scheduled maturities on or before March 2024 are not subject to optional redemption prior to their maturity. Under the terms of the bond indenture, the Port is required to deposit in a debt service reserve fund with a bond trustee, amounts equal to the Series 2014A reserve requirement. The Series 2014A reserve requirement is an amount equal to the lesser of: a) the maximum annual debt service with respect to the Series 2014A bonds, b) 125% of the average annual debt service on the Series 2014A bonds, c) 10% of the initial principal amount of the Series 2014A bonds, or d) the sum of $651,000, which is the initial deposit into the reserve fund, plus any amounts available to be transferred from the Series 2014B reserve account pursuant to the bond indenture. Funds on deposit in the Series 2014A reserve fund are only for the benefit of the Series 2014A bondholders. At June 30, 2024, the Port complied with the Series 2014A reserve requirement. The Series 2014B Bond was fully repaid as of March 2020.

7. Bonds, Loans and Other Payables (Continued)

The Port has pledged future net revenues to repay the Revenue Bonds. As of June 30, 2024, the total principal and interest remaining to be paid on the bonds is $51,886,000. The principal and interest payments made in fiscal year 2023-24 were $3,267,000 and the net revenue (total net operating income calculated in accordance with the bond Indenture) was $53,880,000. The principal and interest payments made in fiscal year 2022-23 were $3,274,000 and the net revenue (total net operating income calculated in accordance with the bond indenture) was $60,626,000.

While revenue bonds are outstanding, the Port may not create liens on its property essential to its operations or dispose of any property essential to maintaining operating activity at a level necessary for it to meet its covenants, including its covenant to maintain net revenue coverage. The Port is also required to maintain specified insurance or qualified self-insurance. The Port is not required to carry earthquake insurance. Covenants of the Indenture include that the Port will manage its business operations, establish and maintain rentals, fees and charges for the use of Port property and for services provided by the Port so that the net revenue without consideration of a revenue stabilization fund, as defined in the Indenture, in each fiscal year will be at least equal to 100% of aggregate annual debt service for such fiscal year. As of June 30, 2024, the Port has satisfied the debt service coverage covenant.

The revenue bonds contain an acceleration provision that in an event of default, the trustee may, upon written request from the credit provider or holders of not less than fifty-one percent of the aggregate principal amount then outstanding, by written notice to the Commission, shall declare the principal amount of all bonds outstanding and the interest accrued becomes due and payable immediately.

The revenue bonds are subject to an arbitrage rebate requirement. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 21, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that earnings from the investment of tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on the fifth anniversary of each bond issue. There was no cumulative arbitrage liability with respect to the revenue bonds as of June 30, 2024 and 2023.

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

7. Bonds, Loans and Other Payables (Continued)

In May 2012, the Board of Supervisors authorized the City to issue $45 million in certificates of participation (COPs) to finance various facilities and improvements under the jurisdiction of the Port, including the construction of a primary cruise terminal at Pier 27. The public sale of $37,700,000 in COPs was completed in October 2013. The COPs were issued in two series, consisting of Series 2013B (Non-AMT) in the amount of $4,830,000 and Series 2013C (AMT) in the amount of $32,870,000. Series 2013B certificates will mature March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C certificates mature March 2014 through March 2043 and carry coupon rates between 4.00% and 5.25%. The COPs with scheduled maturities on or after March 2023 are subject to redemption at specified prices at the option of the City. Those COPs with scheduled maturities before March 2023 are not subject to optional redemption prior to their maturity.

A memorandum of understanding between the City and the Port governs the terms of repayment for the City COPs. The Port is required to make payments to the City equal to annual debt service on the COPs. These payment obligations are subordinate to any Port revenue bond obligations. The Port has agreed, during the term of the COPs, to annually budget amounts necessary for direct payment of obligations or for reimbursement by the Port to the City for costs incurred on behalf of the Port in connection with the COPs. While the completed cruise terminal serves as the leased asset for the COPs to secure the City's covenants and obligations under the lease, there is no remedy under the COPs for the purchasers thereof to take possession of the leased property. In the event of default, the trustee may enforce all of its rights and remedies under the project lease, including the right to recover base rental payments as they become due under the project lease by pursuing any remedy available in law or in equity, other than by terminating the project lease or re-entering and reletting the leased property, or except as expressly provided in the project lease.

The Port has entered into a loan agreement with the California Division of Boating and Waterways (Cal Boating) for $3,500,000 to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and interest accrues at a rate of 4.5% per annum on the unpaid balance over 30 years. The project was completed in 2002, and annual payments commenced on August 1, 2002. The loan is secured by gross revenues as defined in the loan agreement. As of June 30, 2024, the total principal and interest remaining to be paid on this loan are $1,157,000. Annual principal and interest payments were $232,000 in 2024 and 2023 and pledged harbor revenues were $186,000 and $164,000 for the years ended June 30, 2024 and 2023, respectively. The loan contains a provision that in an event the Port fails, in whole or in part, to make any payment due under the loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment payment made by the Port is less than the amount required under the terms of the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

Effective May 1, 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (SBH) from the Office of Community Investment and Infrastructure, including three loans provided by Cal Boating, which totaled $6,144,000 and accrues interest at a rate of 4.5% per annum. As of June 30, 2024, the total principal and interest remaining to be paid on the loans are $6,157,000.

7. Bonds, Loans and Other Payables (Continued)

These loans are secured by net revenues as defined in the loan agreements. Annual principal and interest payments were $536,000 in 2024 and 2023 and pledged net revenues were $1,857,000 and $1,639,000 for the years ended June 30, 2024 and 2023, respectively. Cal Boating may take possession of the operations if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

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

Segment information

Summary financial information with individual activities for the Port as of June 30, 2024 and 2023 is presented below. Additional details are included in the supplemental schedules on pages 78 to 81.

Condensed statements of net position (in thousands)

	June 30, 2024			June 30, 2023		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Assets:						
Current and other assets	$ 949,308	$ 25,814	$ 975,122	$ 914,142	$ 26,316	$ 940,458
Capital assets	475,266	16,807	492,073	475,512	17,462	492,974
Total assets	1,424,574	42,621	1,467,195	1,389,654	43,778	1,433,432
Deferred outflows of resources	26,613	-	26,613	20,837	-	20,837
Liabilities:						
Current liabilities	37,023	1,289	38,312	35,766	1,178	36,944
Noncurrent liabilities	305,560	4,421	309,981	323,025	4,751	327,776
Total liabilities	342,583	5,710	348,293	358,791	5,929	364,720
Deferred inflows of resources	505,523	12,110	517,633	509,071	14,824	523,895
Net position:						
Net investment in capital assets	305,737	11,968	317,705	300,773	12,311	313,084
Restricted	34,093	-	34,093	47,811	-	47,811
Unrestricted	263,251	12,833	276,084	194,045	10,714	204,759
Total net position	$ 603,081	$ 24,801	$ 627,882	$ 542,629	$ 23,025	$ 565,654

7. Bonds, Loans and Other Payables (Continued)

Condensed statements of revenues, expenses, and changes in fund net position (in thousands)

	Year Ended June 30, 2024			Year Ended June 30, 2023		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Revenues:						
Operating revenues	$ 128,771	$ 5,818	$ 134,589	$ 123,235	$ 5,432	$ 128,667
Nonoperating revenues	61,032	132	61,164	39,291	129	39,420
Capital contributions	14,733	-	14,733	39,369	-	39,369
Total revenues	204,536	5,950	210,486	201,895	5,561	207,456
Expenses:						
Operating expenses	139,664 *	3,961	143,625	119,391 *	3,793	123,184
Nonoperating expenses	4,420	213	4,633	4,437	228	4,665
Total expenses	144,084	4,174	148,258	123,828	4,021	127,849
Change in net position	60,452	1,776	62,228	78,067	1,540	79,607
Net position, beginning of year, as restated	542,629	23,025	565,654	464,562	21,485	486,047
Net position, end of the year	$ 603,081	$ 24,801	$ 627,882	$ 542,629	$ 23,025	$ 565,654

* *Includes SBH pension and OPEB expenses.*

Condensed statements of cash flows (in thousands)

	Year Ended June 30, 2024			Year Ended June 30, 2023		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Net cash provided by (used in):						
Operating activities	$ 12,823	$ 2,447	$ 15,270	$ 13,893	$ 2,309	$ 16,202
Noncapital financing activities	5,297	-	5,297	119,960	-	119,960
Capital and related financing activities	(10,895)	(772)	(11,667)	25,787	(783)	25,004
Investing activities	26,842	132	26,974	10,926	127	11,053
Increase/(decrease) in cash and cash equivalents	34,067	1,807	35,874	170,566	1,653	172,219
Cash and cash equivalents						
Beginning of year	387,543	13,233	400,776	216,977	11,580	228,557
End of year	$ 421,610	$ 15,040	$ 436,650	$ 387,543	$ 13,233	$ 400,776

8. Retirement Plan

The Retirement System Plan **-** The City participates in a cost-sharing multiple-employer defined benefit pension plan (the Retirement System Plan). The Retirement System Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Retirement System Plan, and additions to/deductions from the Retirement System Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement System. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Replacement Benefits Plan **–** The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the Retirement System Plan. The RBP allows the City to pay the Retirement System retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	2024	**2023**
Valuation Date	June 30, 2022 updated to June 30, 2023	June 30, 2021 updated to June 30, 2022
Measurement Date	June 30, 2023	June 30, 2022
Measurement Period	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

The Retirement System Plan **-** The City is an employer of the Retirement System Plan with a proportionate share of 94.85% as of the June 30, 2023 measurement date and 94.87% as of the June 30, 2022 measurement date. The Port's allocation percentage was determined based on the Port's employer contributions divided by the City's total employer contributions for each measurement period. The Port's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense/(benefits) are based on the Port's allocated percentage. The Port's allocation of the City's proportionate share was approximately 0.83% as of the June 30, 2023 measurement date and 0.81% as of June 30, 2022 measurement date.

8. Retirement Plan (Continued)

The Replacement Benefits Plan **–** The Port allocation percentage was determined based on the Port's headcount (both active members and retirees) divided by the City's total headcount for fiscal year 2022-23. The Port's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on the Port's allocated percentage. The Port's allocation of the City's proportionate share was 0.17% as of the June 30, 2023 measurement date and 0.26% as of June 30, 2022 measurement date.

Retirement System Plan Description **-** The Retirement System Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Retirement System Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities that establish and amend the benefit provisions and employer obligations of the Retirement System Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Retirement System Plan. That report may be obtained on the Retirement System's website http://mysfers.org or by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Retirement System Plan Benefits **-** Benefits and refunds are recognized when due and payable in accordance with the terms of the Retirement System Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of Retirement System Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of the Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

8. Retirement Plan (Continued)

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The Retirement System Plan provides for a Supplemental COLA in years when there are sufficient “excess” investment earnings in the Retirement System Plan. The maximum benefit adjustment each July 1 is 3.5% including Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees’ base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Retirement System Plan is fully funded on a market value of assets basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

The Retirement System Plan - Contributions are made by both the City and participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2023-24 varied from 7.5% to 11.5% as a percentage of gross covered salary. Employee contribution rates for fiscal year 2022-23 varied from 7.5% to 12.0% as a percentage of gross covered salary. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rate for fiscal year 2023-24 was 15.24% to 18.24% and based on the July 1, 2021 actuarial report, the required employer contribution rate for fiscal year 2022-23 was 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the Retirement System Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City’s proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2023 and 2022 (measurement years) were $638.0 million and $729.6 million, respectively. The Port’s allocation of employer contributions for fiscal years 2022-23 and 2021-22 were $5,197,000 and $6,363,000, respectively.

Replacement Benefits Plan - The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4.6 million replacement benefits in the year ended June 30, 2024.

8. Retirement Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2024, the City reported a net pension liability (NPL) for its proportionate share of the net pension liability of the Retirement System Plan and net pension liability of RBP of $3.59 billion. The City's net pension liability for the Retirement System Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Retirement System Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the Retirement System Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 and June 30, 2022, respectively, rolled forward to June 30, 2023 using standard update procedures. As of June 30, 2023, the City reported a NPL for its proportionate share of the net pension liability of the Retirement System Plan and net pension liability of RBP of $2.71 billion. The City's net pension liability for the Retirement System Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Retirement System Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the Retirement System Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and June 30, 2021, respectively, rolled forward to June 30, 2022 using standard update procedures.

The City's proportion of the net pension liability for the Retirement System Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's allocation of the City's proportionate share of the net pension liability for the Retirement System Plan as of June 30, 2024 and 2023 were $28,701,000 and $20,794,000, respectively. The Port's allocation of the total pension liability for the RBP as of June 30, 2024 and 2023 were $227,000 and $398,000, respectively.

For the years ended June 30, 2024 and 2023, the City's recognized pension expense, including amortization of deferred outflows/inflows related pension items, were $667,276,000 and $1,771,000, respectively. Pension expense/(benefit) increased from the prior year, largely due to the amortization of deferrals. The Port's allocation of pension expense/(benefit), including amortization of deferred outflows/inflows related pension items for fiscal years 2023-24 and 2022-23, were $6,390,000 and ($1,910,000), respectively.

At June 30, 2024, the Port reported deferred outflows of resources and deferred inflows of resources related to pension were the following (in thousands):

	June 30, 2024			
	The Retirement System Plan		Replacement Benefits Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,289	$ -	$ -	$ -
Differences between expected and actual experience	3,084	-	20	58
Change in assumptions	3,714	1,695	18	47
Net difference between projected and actual earnings on pension plan investments	5,432	-	-	-
Change in employer's proportionate share	1,366	379	112	66
	$ 18,885	$ 2,074	$ 150	$ 171

8. Retirement Plan (Continued)

At June 30, 2024, the Port reported $5,289,000 as deferred outflow of resources related to contribution subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2025.

At June 30, 2023, the Port reported deferred outflows of resources and deferred inflows of resources related to pension for the Retirement System Plan were the following (in thousands):

	June 30, 2023			
	The Retirement System Plan		Replacement Benefits Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,197	$ -	$ -	$ -
Differences between expected and actual experience	1,898	-	52	50
Change in assumptions	5,403	1,621	64	86
Net difference between projected and actual earnings on pension plan investments	-	2,585	-	-
Change in employer's proportionate share	2,369	369	4	119
	$ 14,867	$ 4,575	$ 120	$ 255

The pension contributions made subsequent to the measurement date will be applied to the net pension liability/(asset) in the next period. All other deferred outflows and deferred inflows of resources will be amortized annually and recognized as pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources		
Year Ending June 30	The Retirement System Plan	Replacement Benefits Plan	Total
2025	$ 344	$ (8)	336
2026	(1,167)	(25)	(1,192)
2027	10,846	(8)	10,838
2028	1,499	20	1,519

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total pension liability/asset for both the Retirement System Plan and RBP as of June 30, 2023 and 2022 (measurement years) is provided below. This includes any assumptions that differ from those used in actuarial valuations as of July 1, 2022 for the Retirement Plan and June 30, 2022 for the RBP. Refer to the actuarial valuation reports for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

	The Retirement System Plan		Replacement Benefits Plan	
	2024	2023	2024	2023
Valuation Date	July 1, 2022 updated to June 30, 2023	July 1, 2021 updated to June 30, 2022	June 30, 2022 updated to June 30, 2023	June 30, 2021 updated to June 30, 2022
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost	Entry-Age Normal Cost	Entry-Age Normal Cost
Expected Rate of Return	7.2% net of pension plan investment	7.2% net of pension plan investment		
Municipal Bond Yield	3.65% as of June 30, 2023 Bond Buyer 20-Bond-GO Bond Index June 30, 2022 and June 29, 2023	3.54% as of June 30, 2022 Bond Buyer 20-Bond-GO Bond Index June 24, 2021 and June 30, 2022	3.65% as of June 30, 2023 Bond Buyer 20-Bond-GO Bond Index June 30, 2022 and June 29, 2023	3.54% as of June 30, 2022 Bond Buyer 20-Bond-GO Bond Index June 24, 2021 and June 30, 2022
Discount Rate	7.20% as of June 30, 2023	7.20% as of June 30, 2022	3.65% as of June 30, 2023	3.54% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023	0.60% of payroll as of June 30, 2022	0.60% of payroll as of June 30, 2023	0.60% of payroll as of June 30, 2022

8. Retirement Plan (Continued)

Mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

Changes of assumptions – For the Retirement System Plan, the municipal bond yield increased from 3.54% to 3.65%. For the RBP, the discount rate for the measurement period ended June 30, 2023 and the municipal bond yield increased from 3.54% to 3.65%.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Discount Rate

The Retirement System Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate used to measure the total pension liability was 7.20% as of June 30, 2023 (measurement date) and June 30, 2022 (measurement date). The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 and 2021 actuarial valuations. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase by 3.25% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during

8. Retirement Plan (Continued)

the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2022-23. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

	June 30, 2023 Valuation			June 30, 2022 Valuation	
	1996 - Prop C	Before 11/06/96 or after Prop C		1996 - Prop C	Before 11/06/96 or after Prop C
2025 and thereafter	0.75%	0.50%	2024	0.75%	0.70%
			2025	0.75%	0.60%
			2026	0.75%	0.60%
			2027 and thereafter	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. As of June 30, 2023 and 2022 (measurement periods), projected benefit payments are discounted at the long-term expected return on assets of 7.20%, to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% and 3.54%, respectively, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2023 and 2022 (measurement date) was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%, as of June 30, 2023 and 2022 (measurement period). It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage by the target asset allocation percentage and by adding expected inflation.

8. Retirement Plan (Continued)

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class as of June 30, 2023 and 2022 (measurement periods) are summarized in the following table.

	June 30, 2023 Valuation		June 30, 2022 Valuation	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Global Equity	37.0%	4.6%	37.0%	4.8%
Treasuries	8.0%	1.7%	8.0%	0.6%
Liquid Credit	5.0%	3.5%	5.0%	3.5%
Private Credit	10.0%	5.8%	10.0%	5.8%
Private Equity	23.0%	7.8%	23.0%	7.9%
Real Assets	10.0%	5.3%	10.0%	4.7%
Hedge Funds/Absolute Returns	10.0%	4.4%	10.0%	3.4%
Leverage	-3.0%	1.4%	-3.0%	0.6%
	100.0%		100.0%	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.65% and 3.54% as of June 30, 2023 and 2022, respectively. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022 and June 29, 2023. These are the rates used to determine the total pension liability as of June 30, 2023.

The inflation assumption of 2.50% as of June 30, 2022 and 2021, respectively, compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $265,000 and $245,000 for June 30, 2023 and 2022 (measurement dates) were used.

The Retirement System Plan assumptions about Basic and Supplemental COLA previously discussed also apply to the RBP, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2024, the City’s membership in the RBP had a total of 277 active members and 149 retirees and beneficiaries currently receiving benefits. The Port has three active members and no retirees and beneficiaries currently receiving benefits.

8. Retirement Plan (Continued)

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Port's allocation of the employer's proportionate share of the net pension liability/(asset) for the Retirement System Plan, calculated using the discount rate, as well as what the Port's allocation of the employer's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

June 30, 2023 (Measurement Year) ($000's)			June 30, 2022 (Measurement Year) ($000's)		
1% Decrease Share of NPL /(NPA)@ 6.20%	Allocated Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%	1% Decrease Share of NPL /(NPA)@ 6.20%	Allocated Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%
$ 67,319	$ 28,701	$ (3,139)	$ 56,942	$ 20,794	$ (9,006)

The following presents the Port's allocation of the employer's proportionate share of the total pension liability for the RBP, calculated using the discount rate, as well as what the Port's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

June 30, 2023 (Measurement Year) ($000's)			June 30, 2022 (Measurement Year) ($000's)		
1% Decrease @ 2.65%	Measurement Date @ 3.65%	1% Increase @ 4.65%	1% Decrease @ 2.54%	Measurement Date @ 3.54%	1% Increase @ 4.54%
$ 268	$ 227	$ 194	$ 472	$ 398	$ 340

9. Health Service System

Health care benefits for Port employees, retired employees, and surviving spouses are financed by beneficiaries and by the City principally through the City and County of San Francisco Health Service System. The annual contribution to the City health plan is determined by Charter provision based on similar contributions made by the ten most populous counties in California.

The City Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the health care benefits. That report can be found on its website http://www.myhss.org or may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

10. Other Postemployment Benefits (OPEB)

Plan Descriptions – Port participates in a single-employer defined benefit other postemployment benefits plan (the OPEB Plan), which is administered through the City's Health Service System in the Retiree Healthcare Trust Fund. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan

	2024	2023
Valuation Date	June 30, 2022 updated to June 30, 2023	June 30, 2021 updated to June 30, 2022
Measurement Date	June 30, 2023	June 30, 2022
Measurement Period	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

The Port's proportionate share percentage of the OPEB Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2023 and 2022 (measurement dates). The Port's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense allocated to each department is based on the Port's allocated percentage. The Port's proportionate share of the City's OPEB elements were 0.76% and 0.82% as of June 30, 2023 and 2022 (measurement dates), respectively.

Benefits – Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

10. Other Postemployment Benefits (OPEB) (Continued)

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO - Blue Shield (Self-insured) and UHC Medicare Advantage (fully-insured)
	HMO - Kaiser (fully-insured), Blue Shield (flex-funded), and Health Net (flex funded)
Dental:	Delta Dental, DeltaCare USA and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are adminstered by Vision Service Plan

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions – Benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Healthcare Trust Fund a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Retiree Healthcare Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Retiree Healthcare Trust Fund for each officer and employee who commenced employment on or before January 9, 2009.

Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the Retiree Healthcare Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City's Charter. For the fiscal years ended June 30, 2024 and 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $48.7 million and $45.2 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portions paid by the City were $230.0 million for a total contribution of $278.7 million for the year ended June 30, 2024, and $215.4 million for a total contribution of $260.6 million for the year ended June 30, 2023. The Port's proportionate share of the City's contributions for the fiscal years 2023-24 and 2022-23 were $2,122,000 and $2,147,000, respectively.

10. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB **–** As of June 30, 2024 and 2023, the City reported net OPEB liabilities related to the OPEB Plan of $3.9 billion and $3.7 billion, respectively. The Port's proportionate share of the City's net OPEB liability as of June 30, 2024 and 2023 were $29,886,000 and $30,862,000, respectively.

For the years ended June 30, 2024 and 2023, the City's recognized OPEB expense in the amount of $261.2 million and $257.0 million, respectively Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Port's proportionate share of the City's OPEB income was $2,671,000 and $106,000, respectively.

As of June 30, 2024, the Port reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

	June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,121	$ -
Difference between expected and actual experience	1,284	3,465
Changes in assumptions	869	-
Net difference between projected and actual earnings on plan investments	229	-
Change in proportion	2,936	1,145
Total	$ 7,439	$ 4,610

At June 30, 2024, the Port reported $2,121,000 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability in the reporting year ending June 30, 2025.

10. Other Postemployment Benefits (OPEB) (Continued)

As of June 30, 2023, the Port reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

	June 30, 2023	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Contributions subsequent to measurement date	$ 2,146	$ -
Difference between expected and actual experience	685	5,138
Changes in assumptions	1,318	1,435
Net difference between projected and actual earnings on plan investments	497	-
Change in proportion	1,056	-
Total	$ 5,702	$ 6,573

Amounts reported as deferred outflows of resources, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows (in thousands):

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2025	$ (66)
2026	105
2027	27
2028	74
Thereafter	568

10. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 and 2022 (measurement dates) is provided below:

Valuation Dates	June 30, 2023 and 2022
Measurement Dates	June 30, 2023 and 2022
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflaction: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in Retirement System experience study for the period ended June 30, 2019.

Non-Annuitant

	Published	Adjustment Factor	
	Table	Male	Female
Miscellanous	PubG-2010 Employee	0.834	0.866
Safety	PubG-2010 Employee	1.011	0.979

Healthy Retirees

	Published	Adjustment Factor	
	Table	Male	Female
Miscellanous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	0.947	1.044

Disabled Retirees

	Published	Adjustment Factor	
	Table	Male	Female
Miscellanous	PubG-2010 Employee	1.045	1.003
Safety	PubG-2010 Employee	0.916	0.995

Beneficiaries

	Published	Adjustment Factor	
	Table	Male	Female
Miscellanous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

10. Other Postemployment Benefits (OPEB) (Continued)

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scare for the actuarial valuation as of June 30, 2023 and 2022.

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate – The following presents the Port's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Port's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	($000's)		
Measurement Year	**1% Decrease**	**Baseline**	**1% Increase**
June 30, 2023	$ 25,415	$ 29,886	$ 35,433
June 30, 2022	$ 26,402	$ 30,862	$ 36,395

Discount Rate – The discount rates used to measure the total OPEB liability as of June 30, 2023 and 2022 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the OPEB Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Retiree Healthcare Trust Fund as of June 30, 2023 and 2022 (measurement periods). Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Retiree Healthcare Trust Fund's asset allocation.

10. Other Postemployment Benefits (OPEB) (Continued)

Target allocation as of June 30, 2023 and 2022 (measurement periods) for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

	June 30, 2023 Valuation	
Asset Class	Target Allocation	Long - term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0%	6.7%
Developed Market Equity (non-U.S.)	13.0%	7.2%
Emerging Market Equity	10.0%	7.4%
Credit		
Bank Loans	3.0%	4.4%
High Yield Bonds	3.0%	4.7%
Rate Securities		
Investment Grade Bonds	7.0%	2.8%
Short-term Treasury Inflation-Protected Securities	5.0%	1.0%
Private Markets		
Private Equity	10.0%	8.4%
Private Debt	5.0%	6.4%
Core Private Real Estate	5.0%	3.9%
Infrustructure (Core Private)	2.0%	5.2%
Risk Management Strategies		
Global Macro	10.0%	3.1%
Total	100.0%	

	June 30, 2022 Valuation	
Asset Class	Target Allocation	Long - term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	3.0%	7.4%
Developed Market Equity (non-U.S.)	15.0%	7.5%
Emerging Market Equity	13.0%	8.4%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.4%
Emerging Market Bonds	3.0%	4.2%
Rate Securities		
Investment Grade Bonds	9.0%	2.4%
Long-term Government Bonds	4.0%	2.8%
Short-term Treasury Inflation-Protected Securities	4.0%	1.9%
Private Markets		
Private Equity	5.0%	10.0%
Core Private Real Estate	5.0%	6.1%
Risk Management Strategies		
Global Macro	5.0%	5.0%
Total	100.0%	

10. Other Postemployment Benefits (OPEB) (Continued)

The following presents the Port's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the Port's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	($000's)		
Measurement Year	**1% Decrease 6.00%**	**Discount Rate 7.00%**	**1% Increase 8.00%**
June 30, 2023	$ 34,978	$ 29,886	$ 25,710
June 30, 2022	$ 35,930	$ 30,862	$ 26,705

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

11. Related Party Transactions

The Port receives services from, and provides services to, various City departments that are categorized in the various operating expense line items in the statements of revenues, expenses and changes in net position. The Port continues to evaluate its payments to the City's General Fund and various City departments to ensure that they support activities within the Port area and to refine the methodologies used for the allocation of City direct and indirect costs. In fiscal year 2023-24, services provided by other City departments included $10,118,000 of insurance premiums and $1,250,000 in workers' compensation expense. In fiscal year 2022-23, services provided by other City departments included $8,785,000 of insurance premiums and $1,022,000 in workers' compensation expense.

Services provided by City departments include: fireboat operations and maintenance from the Fire Department, legal and litigation-related services from the City Attorney's Office, street cleaning, direct and contractual services from San Francisco Public Works, services provided by the City Purchaser, contract compliance services by the City Administrator's Contract Monitoring Division, security services from the Police Department, risk management consulting services through the City Risk Manager, parking enforcement and parking meter system maintenance and collection services from and through the San Francisco Municipal Transportation Agency (SFMTA), communications and network services from the Department of Technology and real estate services from the Department of Real Estate. Charges for electrical service provided by the San Francisco Public Utilities Commission (SFPUC), included in utilities on the statements of revenues, expenses and changes in net position, were $3,159,000 and $3,940,000 in fiscal years 2023-24 and 2022-23, respectively. Rental revenues from City departments included in operating revenues were approximately $9,272,000 and $8,961,000 in fiscal years 2023-24 and 2022-23, respectively.

11. Related Party Transactions (Continued)

In November 2018, the City voters passed Proposition A, approving a $425 million General Obligation Bond known as the 2018 Embarcadero Seawall Earthquake Safety Bond to support the Seawall Earthquake Safety and Disaster Prevention Program. In 2023, the Port received $38,733,000 of proceeds as capital contribution from the City's issuance of Series 2023B Bonds to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study general investigation. The bonds are a citywide obligation, and the proceeds received by the Port are recorded as capital contributions.

In March 2021, the Port and the SFPUC entered into a memorandum of understanding (MOU) authorizing SFPUC to use up to an additional 3.5 megawatts of available capacity from Port's primary service location at Pier 70's Building 102 to provide temporary electrical service to the Seawall Lot 337 development project and the SFPUC Mariposa Pump Station facility. Accordingly, the SFPUC will pay $1,150,000 for the use of this capacity for one year from the effective date of the MOU with option to extend. The SFPUC exercised its option to extend capacity purchase from the Port's Building 102 at Pier 70. In fiscal years 2023-24 and 2022-23, the SFPUC paid the Port $1,757,000 and $1,740,000, respectively.

In 2022, the Port participated in the SFPUC Hetch Hetchy Power premium program by enrolling the Pier 27 Cruise Terminal Shoreside Power electricity account to receive 100 percent renewable energy that meets the requirements of California's Renewable Portfolio Standard. The California Air Resources Board Low Carbon Fuel Standard (CARB LCFS) Program allows the accrual of low carbon fuel standard credits for entities that reduce greenhouse gas (GHG) emissions from transportation sources by using electric energy or other lower-GHG emitting fuels. Hetch Hetchy Power facilitates the sale of municipal customers' LCFS credits to potential credit buyers through the CARB LCFS credit sales portal. In fiscal years 2023-24 and 2022-23, the Port received $365,000 and $203,000, respectively, in net proceeds from the sale and reported as other nonoperating revenues.

The Port and SFPUC entered into an MOU dated September 1, 2018 to construct certain improvements to the Mariposa Pump Station and associated sewer work on the Port premises located within Seawall Lot 345. The SFPUC will use the premises for an initial term of 30 years and pay the Port rent of $0.45 per square foot per month with a 3% annual increase for a total rent of $1,242,000. In fiscal year 2018-19, SFPUC paid the Port a lump sum of $502,000, representing the unearned net present value of the total rent for the initial term of 30 years. As of June 30, 2024 and 2023, the balances were $388,000 and $405,000 and reported as long-term prepaid rents and advance payments liabilities. The Port reported $17,000 short-term prepaid rents and advance payments liabilities as of June 30, 2024 and 2023.

11. Related Party Transactions (Continued)

In September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into an MOU to implement the affordable housing development project at Seawall Lot 322-1 (88 Broadway). Under the MOU, the Port was due a total of $14,958,000 from MOHCD as of June 30, 2019. In August 2019, MOHCD paid the Port $14,996,000, including additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. In addition to the payment by MOHCD, the developer will be required to make lease payments representing a share of any cash flow generated by commercial activities. As of June 30, 2024 and 2023, the Port reported $13,708,000 and $13,907,000, respectively, of deferred inflow of resources related to leases for this Ground Lease.

In December 2017, the Port and San Francisco Fire Department (SFFD) entered into an MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fireboats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired the apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply a hundred percent rent credits toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2024 and 2023, rent credits of $781,000 and $747,000, respectively, have been provided to SFFD.

In December 2019, the Port and SFFD entered into an MOU for the installation of the newly constructed Fireboat Station 35, a floating first response facility, at Pier 22½. This MOU replaced the existing License 501 for the use of the Pier 22½ shed as a firehouse building. In 2022, the Port authorized SFFD to apply $941,000 of rent credits toward the lease payments for the tenant improvements to the existing marginal wharf and substructure as part of the project for a dedicated public access area. As of June 30, 2024 and 2023, rent credits of $96,000 and $77,000, respectively, have been provided to SFFD.

In June 2023, the Port and the Office of Community Investment and Infrastructure (OCII) entered into a Memorandum of Agreement (MOA). As part of the MOA, the Port provides property management services, including management, landscape, janitorial, general maintenance, and security services, to manage the Port Open Space Parcels (Bayfront Park). In fiscal year 2023-24, OCII reimbursed the Port $468,000 for the maintenance cost as outlined in the MOA.

At June 30, 2024, the Port recorded $576,000 due from the SFMTA for additional parking meter collection that was deposited to SFMTA accounts. The Port received the funds from SFMTA in the following fiscal year.

12. Leases

The Port has entered into numerous lease agreements for equipment, land, and buildings. Most leases held by the Port are for real estate assets for which the Port is in a lessor position.

Lessor positions

As a lessor, the Port has entered into lease agreements for real estate to commercial entities, mainly from the hospitality and entertainment industries. The terms of the various lease agreements range from 1 to 66 years. Rent adjustments that were explicitly stated in lease agreements with specific amounts were included in the lease calculation. However, CPI and inflationary percentage rent increases were not reasonably certain and did not result in variable rent revenues.

Information about lease and interest revenues recognized during fiscal years 2023-24 and 2022-23, as well as receivable and deferred inflows of resources amounts recognized as of June 30, 2024 and 2023 is presented below (in thousands):

Asset Classes	Lease Revenue 2024	Interest Revenue 2024	Lease Receivable 2024	Deferred Inflow of Resources 2024
Land	$ 11,926	$ 2,173	$ 95,683	$ 101,289
Buildings, office space and others	40,877	9,652	414,181	409,489
Total	$ 52,803	$ 11,825	$ 509,864	$ 510,778

Asset Classes	Lease Revenue 2023	Interest Revenue 2023	Lease Receivable 2023	Deferred Inflow of Resources 2023
Land	$ 10,472	$ 1,975	$ 92,314	$ 99,812
Buildings, office space and others	44,915	9,115	412,770	412,680
Total	$ 55,387	$ 11,090	$ 505,084	$ 512,492

Certain property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. For the years ended June 30, 2024 and 2023, property rental revenues were comprised as follows (in thousands):

	2024	2023
Minimum rentals, all revenue types	$ 81,950	$ 84,574
Percentage rentals	16,266	17,420
Total	$ 98,216	$ 101,994

12. Leases (Continued)

Under the terms of some long-term leases, certain minimum rent obligations are fulfilled by the completion of major tenant-financed rehabilitation and improvement work that benefits the Port. The Port records these improvements and the related obligation for tenant improvement credits upon the certified completion and acceptance of the agreed work.

The future principal and interest receipts for leases from lessor positions as of June 30, 2024, were as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2025	$ 43,882	$ 11,694	$ 55,576
2026	40,894	10,761	51,655
2027	35,618	9,883	45,501
2028	27,408	9,154	36,562
2029	23,642	8,571	32,213
2030-2034	86,069	36,652	122,721
2035-2039	62,821	28,296	91,117
2040-2044	39,237	22,431	61,668
2045-2049	36,692	17,615	54,307
2050-2054	15,267	14,089	29,356
2055-2059	16,217	11,899	28,116
2060-2064	19,969	9,790	29,759
2065-2069	21,321	6,642	27,963
2070-2074	25,390	3,555	28,945
2075-2078	15,437	429	15,866
Total	$ 509,864	$ 201,461	$ 711,325

The Port also provides berthing and landing facilities for a variety of excursion vessel operators. Excursion vessels typically transport passengers for purposes including, but not limited to dinner cruises, harbor tours, scuba diving expeditions, fishing expeditions, and whale-watching tours. Multiple tour operators call the San Francisco waterfront homeport, including Alcatraz Cruises, Blue & Gold Fleet, Hornblower Cruises, and Red & White Fleet. The Port also has licenses in place for excursion vessel operators, homeported at other Bay Area harbors and marinas, that seek to land at the Port's facilities. As of June 30, 2024 and 2023, excursion revenues were $4,281,000 and $2,539,000, respectively, and reported as part of harbor services operating revenue.

12. Leases (Continued)

Lessee positions

As a lessee, the Port has entered into lease agreements for real estate and equipment. Below is a description of the positions (in thousands):

	2024			2023		
	Real Estate	Equipment	Total	Real Estate	Equipment	Total
Lease assets (intangible)	$ 69,924	$ -	$ 69,924	$ 69,924	$ 75	$ 69,999
Accumulated amortization	9,617	-	9,617	7,212	57	7,269
Lease assets, net	$ 60,307	$ -	$ 60,307	$ 62,712	$ 18	$ 62,730

The future principal and interest payments for leases from lessee positions as of June 30, 2024, were as follows (in thousands):

Year Ending June 30	Principal payables	Interest payables	Total
2025	$ 1,574	1,561	$ 3,135
2026	1,777	1,521	3,298
2027	2,052	1,474	3,526
2028	2,102	1,424	3,526
2029	2,153	1,373	3,526
2030-2034	11,575	6,055	17,630
2035-2039	13,049	4,577	17,626
2040-2044	14,711	2,912	17,623
2045-2049	16,585	1,036	17,621
2050	303	-	303
Total	$ 65,881	$ 21,933	$ 87,814

Significant leases

The Port has a noncancelable operating lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right in 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. On February 1, 2021, the sublease adopted a market rate adjustment, resulting in an increase in future minimum annual payments. At June 30, 2024 and 2023, the lease liability for this sublease were $65,881,000 and $67,418,000, respectively.

13. Commitments

Development and Capital Projects

The Port is engaged in development and capital projects, which involve commitments to expend significant funds. Certain development plans, such as those for the Pier 70 area and Mission Rock areas, require complex financing strategies including an array of public and private financing mechanisms in order to accomplish development objectives, which may include environmental remediation (see Note 14), preservation and adaptive reuse of historic buildings, and construction of new infrastructure and public open spaces.

The Port has pursued State legislative changes to increase funding options to address future capital requirements. In 2005, Senate Bill No. 1085 amended the California Government Code to enable the City and the Port to form, in the Port area, infrastructure financing districts, pursuant to Section 53395 et seq. Among other things, this legislation enumerated additional infrastructure improvements that qualify for infrastructure financing districts, including seismic upgrades, renovation, environmental remediation, utility improvements, and structural repair or construction of seawalls, piers, and wharves.

The 2018 Embarcadero Seawall Earthquake Safety Bond general obligation bonds (Seawall Bond) first issuance (Series 2020A) included $49,548,000 of funding for the planning and preliminary design phases of the Waterfront Resilience Program. The second issuance (series 2023B) of the Seawall Bonds included $38,733,000 of funding to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study general investigation.

Purchase Commitments

The Port had firm purchase and contract commitments at June 30, 2024, for approximately $31,069,000 for capital projects and $3,763,000 for general operations.

14. Contingencies

Grants

Certain grants that the Port receives are subject to audit and financial acceptance by the granting agency based upon their review of costs incurred. The Port’s management does not believe that such audits will have a material impact on the financial statements.

South Beach Harbor Project Commitments

On May 1, 2019, OCII transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7,900,000. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20) requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40. Completion of these

14. Contingencies (Continued)

improvements has been delayed and thus, Port will seek a corresponding time extension amendment from BCDC. The new kayak launch and hoists are on track to be installed by August 2025, while construction of the new guest dock is expected to follow in late 2025/early 2026.

Environmental
The Port is required to comply with several federal, State, and local laws, regulations, and permits designed to protect human health, safety, and the environment. In conforming to these laws, the implementing regulations and permits, the Port has instituted a number of compliance programs and procedures. It is the Port's intent that its environmental compliance programs conform to regulatory and legal requirements while effectively managing its financial resources.

The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As the Port undertakes future development planning, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and, if necessary, accrues a liability. It is, therefore, reasonably possible that in future reporting periods, current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation, or other activity that disturbs the soil, fill material or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to the Port's properties, including polychlorinated biphenyls (PCBs), polycyclic aromatic hydrocarbons (PAHs) and other oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

Pier 70 – For over 150 years, there were ironworks, steelworks, shipbuilding and repair, and other industrial operations at this 66-acre site. Between 2007 and 2010, the Port conducted a comprehensive community-based planning process for the redevelopment of Pier 70. This culminated in the Preferred Master Plan for Pier 70, which involved rehabilitation and reuse of the historical buildings, preservation of ship repair facilities, new development, park and open space, and pollution remediation.

Between 2009 and 2013, with financial assistance from the U.S. Department of Commerce, the Port completed a comprehensive investigation of soil and groundwater conditions, a risk assessment and feasibility study, and a Remedial Action Plan (RAP). The RAP consists of capping site soils and establishing institutional controls to reduce or eliminate human health risks related to contamination. The Port subsequently developed a Risk Management Plan (RMP), which

14. Contingencies (Continued)

established institutional controls (e.g. use restrictions, soil handling requirements, health and safety plans, etc.) and engineering controls (e.g. capping contaminated soil) to protect the public and prevent an adverse impact to the environment. The RMP specifies how future development, operation, and maintenance of the area will implement the remedy by covering existing site soil with buildings, streets, plazas, hardscape, or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The Regional Water Quality Control Board approved the RMP in January 2014. Over the past several years, developers have completed the installation of durable covers, removal of hazardous materials, and it is expected that most of the required capping will be accomplished through site development. As part of the RMP, annual site inspections, monitoring and reporting, annual vulnerability assessments, and a revised RMP will be required.

The Port evaluates cost estimates annually based on additional information and transaction events that may impact the pollution remediation outlays. The accrued cost for pollution remediation at Pier 70 is estimated to be $5,530,000 on June 30, 2024 and $3,525,000 on June 30, 2023. These are obligations not assumed by the Port development partners. As of June 30, 2024, $2,500,000 is the estimated cost to install a sediment cap offshore along the former Pier 70 Shipyard and adjacent to Crane Cove Park, $2,790,000 is the estimated cost to perform additional remediation involving the Pier 70/68 Shipyard Uplands project, and $240,000 is the estimated cost for RMP management and reporting.

Former Pier 64 Marine Terminal Investigation & Remediation **-** A 2017-2018 investigation of sediment quality in the former Pier 64 area found elevated concentrations of PAHs in submerged land owned by the Port. In August 2019, the San Francisco Bay Regional Water Quality Control Board (Water Board) issued a directive to conduct further investigation and evaluation of sediment contamination near the former Pier 64. This directive constitutes a regulatory order, which identified a group of potentially responsible companies. These companies or their predecessors discharged petroleum products and other hazardous chemicals into the waters of the State. The Port is named in this directive primarily because it is the past and current property owner.

In 2020, the Port entered into a Cost Sharing Agreement with the potentially responsible parties subject to the Water Board directive, under which all agreed to cooperate, and share costs related to fulfilling the directive. Under the Cost Sharing Agreement, the potentially responsible parties submitted a Sediment Investigation Work Plan designed to identify potential sources, characterize the extent, and evaluate potential environmental impacts of the PAH contamination.

The Port and responsible parties performed the sediment investigation and submitted a report of its findings to the Water Board in February 2021, and the Water Board approved the report in March 2022. The Water Board responded that any pollution encountered must be managed properly to avoid threats to human health or the environment. As of June 30, 2024 and 2023, the Port has estimated the remediation obligation to be approximately $2,100,000 and $2,000,000, respectively. This estimate is not intended to reflect an admission of liability.

14. Contingencies (Continued)

***Mission Bay Ferry Landing* -** The Port's Mission Bay Ferry Landing (MBFL) project is located adjacent to the south side of the former Pier 64. The MBFL project consists of approximately eight acres of in-water area, dredging, ferry berths, and a few hundred feet of armored shoreline.

While planning the MBFL project, the Port analyzed sediment and found elevated PAH concentrations in a portion of the proposed dredge area. As required by the regulatory and resource agencies that authorize in-water construction and dredging, the Port completed a feasibility study for remediating contaminated sediment in June 2018. The feasibility study evaluated the potential environmental impacts of dredging, construction activities, and the effect on aquatic organisms. The study proposed a sediment cap where residual PAHs would remain covered in sediment following construction. The final project engineering plans include the removal of the upper portion of contaminated sediment and the placement of a 1.7-acre sediment cap.

The PAH contamination may be attributable primarily to historic operations by the Pier 64 potentially responsible companies. While the Port is seeking to recover costs from responsible parties, the Port has proceeded to remediate the sediment contamination as part of the project, to ensure the project is completed in a timely manner. In the future, the Port may seek to recover costs incurred during the MBFL project from the Pier 64 potentially responsible companies.

The Port completed phase one of MBFL construction in November 2020. A marine mattress and additional sand layer will be part of the phase two construction to protect the sand layer from erosion. Construction for phase two is scheduled for fiscal year 2024-25. As of June 30, 2024 and 2023, the Port estimated this pollution remediation obligation to be $3,700,000. This estimate is not intended to reflect an admission of liability.

Hyde St. Harbor/Wharf J10 Petroleum Discharge - In Spring 2020, petroleum sheens were observed at the shoreline near the Hyde Street Harbor office including the Wharf J10 shoreline. In July 2020, the US Coast Guard issued a Notice of Federal Interest (NOFI).

In September 2020, the United States Environmental Protection Agency (EPA) issued a Cleanup Order to the Port, as the landowner, to investigate and mitigate the petroleum seep. The Port's investigation discovered red-dye renewable diesel fuel in soil, groundwater, and in petroleum seepage into the Bay. In March 2021, the EPA issued a Cleanup Order to the potentially responsible company, a tenant of the Port, to investigate and mitigate the release. In April 2021, the potentially responsible company performed integrity testing on underground pipelines, which supplied renewable diesel fuel to the Hyde Street Harbor Fuel Dock.

In March 2021, the EPA approved a Subsurface Investigation Work plan to determine the extent of renewable diesel fuel contamination. The EPA also directed the potentially responsible company to submit a Product Recovery Work Plan for US EPA review and approval. Product recovery work began in calendar year 2022. In calendar year 2022, the EPA transferred lead agency authority to the State Water Board, who then issued a Cleanup Order to potentially responsible parties to prepare and submit a Remedial Action Plan.

14. Contingencies (Continued)

In March 2023, the potentially responsible company submitted a draft Feasibility & Remedial Action Plan to propose remedial action alternatives, and submitted a revised version in September 2023, recommending soil excavation in areas where concentrated products exist, along with post-excavation groundwater monitoring. The State Water Board approved the Remedial Action Plan in December 2023. The proposed schedule is for remediation work to begin in late 2024, with active site monitoring continuing into 2025, and monitoring and reporting possibly continuing for up to approximately 15 years. As of June 30, 2024 and 2023, the Port has estimated the potential remaining remediation obligation to be approximately $4,500,000 and $1,600,000, respectively.

There is also evidence that renewable diesel fuel from the leaking pipeline is flushing residual historic contaminants into the Bay. In 2023, the Water Board issued a new Cleanup Order to the Port to address this Legacy Contamination as noted in the section below, "Hyde Street Legacy Contamination."

Hyde St. Legacy Contamination - There is evidence that renewable diesel fuel from the Hyde Street Harbor Fuel Release is pushing residual historic contaminants into the Bay, including through the Wharf J-10 chemical barrier installed by the potentially responsible party under a former cleanup action.

In December 2023, the Water Board issued an Order to the Port requiring the Port to prepare and submit a Site History Report and perform an investigation to further characterize soil. In June 2024, the Water Board approved the Site History Report and the Investigation Work Plan submitted by the Port. The site characterization and any possible cleanup requirements are still to be determined. As of June 30, 2024, the accrued cost is estimated to be $200,000 and is related to investigation and preparation of the Site History Report and Investigation Work Plan.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2024 and 2023, is as follows (in thousands):

	Environmental Remediation
Environmental liabilities at July 1, 2022	$ 9,683
Current year claims and changes in estimates	1,242
Environmental liabilities at June 30, 2023	$ 10,925
Environmental liabilities at July 1, 2023	$ 10,925
Current year claims and changes in estimates	5,105
Environmental liabilities at June 30, 2024	$ 16,030

15. Risk Management

Litigation

The Port is a defendant in various lawsuits and claims that arise during the ordinary course of business. Most of these matters deal with personal injury or property damage resulting from an accident or fire and are covered by insurance. When the likelihood of an unfavorable outcome is probable, accrued liabilities will include, at a minimum, the aggregate amount of deductibles under applicable insurance policies. There are also pending actions filed by tenants and vendors, alleging breach of leases or contracts, and associated economic losses. The final disposition of these legal actions and certain legal claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the Port.

The estimated claims payable at June 30, 2024 and 2023 is $500,000 and $630,000, respectively. Asserted claims in litigation contribute to the Port's estimated claims liability.

Insurance – General and Workers' Compensation

The Port is subject to various risks of loss, including general liability, property and casualty, and workers' compensation. The Port carries commercial insurance for all risks of loss with the following exceptions: (i) workers' compensation; (ii) property damage to most Port owned vehicles; (iii) employee health and accident; (iv) professional liability; and (v) losses due to seismic events.

More specifically, the Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2023): (i) marine general liability coverage of $100,000,000, subject to a deductible of $100,000 per occurrence, inclusive of hull protection and indemnity coverage of $1,000,000 per occurrence; (ii) machinery and equipment breakdown coverage, including business interruption, of $100,000,000, subject to a deductible of $25,000; (iii) commercial property insurance for Port facilities, subject to a maximum coverage of $500,000,000 and a deductible of $5,000,000 per occurrence (increased from a maximum coverage of $300,000,000 before July 1, 2023); (iv) public officials and employee practices liability coverage of $5,000,000, subject to a deductible of $50,000 per occurrence; and (v) special events for cruise terminals at Pier 27, 29 and 35 coverage of $1,000,000 and no deductible. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high-value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

Losses from workers' compensation claims of Port employees, the deductible portion of insured losses, and losses from other uninsured risks must be funded by current revenues or reserves. The administration of workers' compensation, including estimates of recorded and incurred but not reported claims, is provided by the City. The workers' compensation liability as of June 30, 2024 and 2023 has been evaluated by an independent actuary.

15. Risk Management (Continued)

With respect to the general liability accrual, the Port has various unsettled lawsuits filed, or claims asserted against it as of June 30, 2024 and 2023. The Port's General Counsel and management have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome for the Port and to arrive at an estimate of the amount or range of potential loss to the Port.

Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The estimate for claims liability depends on complex factors, such as inflation, changes in legal doctrines, newly discovered information and historical damage awards. Claims are re-evaluated periodically to consider such factors and recent claims settlement trends (including frequency and amount of pay-outs). The estimate of the claims liability also includes increases or decreases to previously reported unsettled claims. The general liability reserve is included in estimated claims payable.

Changes in the reported liability reserves for June 30, 2024 and 2023 resulted from the following activity (in thousands):

	General Liability		Workers' Compensation	
	2024	2023	2024	2023
Beginning of year	$ 630	$ 500	$ 2,883	$ 2,547
Current year claims & changes in estimate	(130)	340	1,814	1,358
Settlements	-	(210)	(1,250)	(1,022)
End of year	$ 500	$ 630	$ 3,447	$ 2,883

Supplemental Schedules

Supplemental Schedule - Combining Statements of Net Position

June 30, 2024 and 2023

(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2024	South Beach Harbor 2024	Total 2024	Port (excluding South Beach Harbor) 2023	South Beach Harbor 2023	Total 2023
Assets						
Current assets:						
Unrestricted:						
Cash and investments held in City Treasury	$ 372,348	$ 14,674	$ 387,022	$ 324,068	$ 12,880	$ 336,948
Cash held outside of City Treasury	1	-	1	5	-	5
Receivables, net	14,547	262	14,809	23,790	363	24,153
Current lease receivables	39,538	4,344	43,882	37,737	4,226	41,963
Due from other City funds	576	-	576	-	-	-
Accrued interest receivable	4,589	-	4,589	2,323	-	2,323
Accrued interest receivable related to leases	3,731	10	3,741	3,078	10	3,088
Materials and supplies	1,933	-	1,933	1,875	-	1,875
Prepaid charges and advances	79	-	79	176	-	176
Total unrestricted current assets	437,342	19,290	456,632	393,052	17,479	410,531
Restricted:						
Cash and investments held in City Treasury	44,158	366	44,524	58,333	353	58,686
Cash and investments held outside of City Treasury	5,303	-	5,303	5,402	-	5,402
Total restricted current assets	49,461	366	49,827	63,735	353	64,088
Total current assets	486,803	19,656	506,459	456,787	17,832	474,619
Noncurrent assets:						
Capital assets:						
Nondepreciable	118,307	664	118,971	116,503	929	117,432
Depreciable, net	296,651	16,143	312,794	296,281	16,531	312,812
Intangible lease assets	60,308	-	60,308	62,728	2	62,730
Capital assets, net	475,266	16,807	492,073	475,512	17,462	492,974
Unrestricted other noncurrent assets	2,048	-	2,048	2,249	-	2,249
Long-term lease receivables	459,824	6,158	465,982	454,637	8,484	463,121
Long-term accrued interest receivable related to leases	633	-	633	469	-	469
Total noncurrent assets	937,771	22,965	960,736	932,867	25,946	958,813
Total assets	1,424,574	42,621	1,467,195	1,389,654	43,778	1,433,432
Deferred outflows of resources						
Deferred outflows of resources from refunding of debt	139	-	139	148	-	148
Deferred outflows of resources related to pension	19,035	-	19,035	14,987	-	14,987
Deferred outflows of resources related to other postemployment benefits (OPEB)	7,439	-	7,439	5,702	-	5,702
Total deferred outflows of resources	26,613	-	26,613	20,837	-	20,837

Supplemental Schedule - Combining Statements of Net Position (Continued)
June 30, 2024 and 2023
(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2024	South Beach Harbor 2024	Total 2024	Port (excluding South Beach Harbor) 2023	South Beach Harbor 2023	Total 2023
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	$ 5,443	$ 109	$ 5,552	$ 6,290	$ 63	$ 6,353
Accrued interest payable	925	195	1,120	961	208	1,169
Accrued interest payable leases	132	-	132	135	-	135
Accrued payroll	2,697	142	2,839	2,607	88	2,695
Accrued vacation and sick leave pay	1,893	22	1,915	1,798	20	1,818
Accrued workers' compensation	808	-	808	611	-	611
Estimated claims payable	300	-	300	225	-	225
Current maturities of long-term obligations	2,806	323	3,129	2,703	309	3,012
Pollution remediation obligations	4,030	-	4,030	1,350	-	1,350
Unearned rents and advance payments	3,245	131	3,376	3,813	135	3,948
Rent credits due to tenants	2,556	-	2,556	2,564	-	2,564
Current lease liabilities	1,574	-	1,574	1,553	2	1,555
Lessee and other deposits	10,614	367	10,981	11,156	353	11,509
Total current liabilities	37,023	1,289	38,312	35,766	1,178	36,944
Noncurrent liabilities:						
Accrued vacation and sick leave pay	1,440	20	1,460	1,657	27	1,684
Accrued workers' compensation	2,639	-	2,639	2,272	-	2,272
Estimated claims payable	200	-	200	405	-	405
Long-term obligations - net of current maturities	62,616	4,401	67,017	65,639	4,724	70,363
Pollution remediation obligations	12,000	-	12,000	9,575	-	9,575
Net pension liability	28,928	-	28,928	21,192	-	21,192
Net OPEB liability	29,886	-	29,886	30,862	-	30,862
Long-term lease liabilities	64,307	-	64,307	65,881	-	65,881
Rent credits due to tenants	38,198	-	38,198	40,758	-	40,758
Unearned grants	65,346	-	65,346	84,784	-	84,784
Total noncurrent liabilities	305,560	4,421	309,981	323,025	4,751	327,776
Total liabilities	342,583	5,710	348,293	358,791	5,929	364,720
Deferred inflows of resources						
Deferred inflows of resources related to pensions	2,245	-	2,245	4,830	-	4,830
Deferred inflows of resources related to OPEB	4,610	-	4,610	6,573	-	6,573
Deferred inflows of resources related to leases	498,668	12,110	510,778	497,668	14,824	512,492
Total deferred inflows of resources	505,523	12,110	517,633	509,071	14,824	523,895
Net position						
Net investment in capital assets	305,737	11,968	317,705	300,773	12,311	313,084
Restricted for capital projects	34,093	-	34,093	47,811	-	47,811
Unrestricted	263,251	12,833	276,084	194,045	10,714	204,759
Total net position	$ 603,081	$ 24,801	$ 627,882	$ 542,629	$ 23,025	$ 565,654

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Supplemental Schedule - Combining Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2024 and 2023

(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2024	South Beach Harbor 2024	Total 2024	Port (excluding South Beach Harbor) 2023	South Beach Harbor 2023	Total 2023
Operating revenues:						
Commercial and industrial	$ 63,130	$ 117	$ 63,247	$ 66,288	$ 27	$ 66,315
Parking	21,023	199	21,222	21,160	111	21,271
Cruise	9,428	-	9,428	10,382	-	10,382
Cargo	7,371	-	7,371	7,028	-	7,028
Fishing	2,683	-	2,683	2,559	-	2,559
Harbor services	2,274	5,245	7,519	2,537	4,857	7,394
Other maritime	7,501	211	7,712	5,721	393	6,114
Other	15,361	46	15,407	7,560	44	7,604
Total operating revenues	128,771	5,818	134,589	123,235	5,432	128,667
Operating expenses:						
Personal services	44,628	1,801	46,429	35,235	1,753	36,988
Contractual services	23,990	366	24,356	20,883	400	21,283
Utilities	3,848	335	4,183	4,715	395	5,110
Materials and supplies	1,522	126	1,648	1,011	178	1,189
Depreciation and amortization	25,210	890	26,100	24,416	856	25,272
General and administrative	2,499	40	2,539	2,103	17	2,120
Services provided by other City departments	31,739	221	31,960	27,584	246	27,830
Pollution remediation	5,105	-	5,105	1,242	-	1,242
Other	1,123	182	1,305	2,202	(52)	2,150
Total operating expenses	139,664	3,961	143,625	119,391	3,793	123,184
Operating income (loss)	(10,893)	1,857	(9,036)	3,844	1,639	5,483
Nonoperating revenues (expenses):						
Interest and investment income	29,970	132	30,102	13,821	129	13,950
Operating grants and transfers	20,756	-	20,756	22,028	-	22,028
Proceeds from insurance settlement	3,882	-	3,882	-	-	-
Settlements	199	-	199	3,238	-	3,238
Loss from lease terminations	(167)	-	(167)	(135)	-	(135)
Gain (loss) from dispositions, net	(79)	-	(79)	1	-	1
Gain from transfer of land	5,860		5,860	-	-	-
Interest expense	(4,163)	(213)	(4,376)	(4,302)	(228)	(4,530)
Other revenues	365	-	365	203	-	203
Other contributions	(11)	-	(11)	-	-	-
Total net nonoperating revenues (expenses)	56,612	(81)	56,531	34,854	(99)	34,755
Change in net position before capital contributions	45,719	1,776	47,495	38,698	1,540	40,238
Capital contributions:						
Other contribution	14,241	-	14,241	-	-	-
Grants from government agencies and other contributions	492	-	492	39,369	-	39,369
Change in net position	60,452	1,776	62,228	78,067	1,540	79,607
Net position, beginning of the year	542,629	23,025	565,654	464,562	21,485	486,047
Net position, end of the year	$ 603,081	$ 24,801	$ 627,882	$ 542,629	$ 23,025	$ 565,654

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