

MEMORANDUM

February 7, 2020

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Victor G. Makras
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation on Fiscal Year (FY) 2020-21 and FY 2021-22
Biennial Capital Budget

DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

EXECUTIVE SUMMARY

This item provides an overview of the Port's proposed Fiscal Year (FY) 2020-21 and FY 2021-22 biennial capital budget to allow for Port Commission and public feedback. Approval of this item is scheduled for the next Port Commission meeting on February 25, 2020.

Port staff used a new process to develop the proposed capital budget for FY 2020-21 and FY 2021-22. This process sought to create a five-year Capital Improvement Program (CIP) and a two-year budget that considered whole-facility improvements, included accurate facility condition information and reflected more deliberate, data-driven trade-off decisions. To develop the proposed CIP, the Port's Finance Division presented over 40 capital projects with a total need of over \$600 million to the Port's Deputy Directors for review and ranking. The goal of this process was to prioritize the Port's capital needs and allocate its limited capital funds as effectively as possible. The Port's Deputies ranked projects that fell into one of three categories: correction of a critical life safety issue, alignment with the Port's strategic plan objectives, or investments in key facilities to sustain and grow leasing revenues.

From this review and ranking process, Port staff developed a five-year action plan for the Port's second CIP. Staff will present the full five-year CIP to the Commission in April 2020 as an informational item.

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The CIP that staff will present to the Port Commission in April is the culmination of nearly a year of planning and analytical work and provides a clear vision of the Port's capital improvement priorities for the next five years. The FY 2020-21 and FY 2021-22 capital budget before the Port Commission represents the first two years of that five-year vision.

The Port's proposed biennial capital budget totals \$81.8 million, including \$53.5 million in FY 2020-21 and \$28.3 million in FY 2021-22. This represents a 11.4% increase over the prior biennial budget. Despite its success in increasing the capital budget over time, the Port continues to lack adequate funding to fully address the \$1.7 billion need identified in the Ten-Year Capital Plan for FY 2020-2029. However, the proposed capital investments in the biennial capital budget and the Five-Year Capital Improvement Program are significant relative to historical spending. Staff continues to seek ways to adequately address the Port's capital renewal needs.

STRATEGIC OBJECTIVES

The proposed FY 2020-21 and FY 2021-22 capital budget is integral to meeting the Port's *Resiliency, Productivity, Stability, and Equity* objectives of the Port's 2019 - 2023 Strategic Plan. Examples of how the budget advances these objectives include:

- *Resiliency:* Capital investments to increase the resiliency of Port assets by planning for and addressing near, mid and long term seismic and flood risk. The budget includes investments in the Waterfront Resilience Program including consulting services for the Envision process, funding to seek additional sources for the \$5 billion Resilience Program, and a grant match to support an Earthquake Mitigation Project for Marine Structure Piles. This project would be funded through a grant from the California Office of Emergency Services and will support increased Port earthquake preparedness. The Port will know whether it received the grant in spring 2020.
- *Productivity:* The Capital Budget makes investments that grow the Port's maritime business. Specifically, these projects support global cargo shipping by upgrading fendering and grading at Pier 80 and performing maintenance dredging that maintains the Port's deep-water berths and sustains commercial cruise and cargo operations.
- *Stability:* The majority of recommended investments maintain the Port's financial strength by addressing deferred maintenance, maximizing value of Port property and increasing revenue. This includes expediently delivering capital projects with the Project Management Office (PMO), targeted facility investments in order to maintain Port tenants, cargo, and tourism industries at Piers 33, 35, and 45, and facility condition assessments for to inform capital decision-making.
- *Equity:* Targeted investments along the Southern Waterfront advance equity and public benefit including transit infrastructure to Mission Bay, allocation of capital dollars to the Southern Waterfront Beautification Fund for open space projects, wetland restoration, pier removal, public art, and historic preservation,

and resilience studies including the Southern Waterfront Seismic Vulnerability Assessment and the U.S. Army Corps of Engineers (USACE)/Port Flood Study.

BACKGROUND

Since 2006, the Port has produced a ten-year capital plan that identifies the investment needed to bring all Port capital assets into a state of good repair and maintain them in good repair. The Port’s Ten-Year Capital Plan for FY 2020-21 to FY 2029-30 identifies \$1.7 billion in necessary state of good repair (SOGR) investments, which is a combination of a backlog stemming from decades of deferred maintenance and annual renewal needs. The capital plan identifies approximately \$500 million in funding sources for SOGR, leaving a \$1.2 billion funding gap over the next ten years. Simply to keep up with upcoming renewal needs, the Port would need to invest \$118 million in state of good repair over the next two years; even that level of investment would not enable any funding to address the existing backlog of repairs.

The capital budget is the Port’s tool to improve the health of its capital assets. Through careful stewardship, including the allocation of at least 25% of operating revenue annually to support capital, Port staff has gradually increased the amount of funding available for capital, however the great demand for capital funds requires staff to make highly strategic investment decisions. (See table below.)

	Budget 2014-15	Budget 2015-16	Supplemental Budget 2015-16	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20
Port Capital Appropriations	\$ 14,645,078	\$ 12,800,000	\$ 38,492,151	\$ 31,523,645	\$ 19,744,000	\$ 30,906,200	\$ 19,008,094
General Fund, Other City Investments				\$ 4,143,355	\$ 7,250,000	\$ 16,500,000	
Grant-Funded Projects				\$ 2,143,355		\$ 650,000	
G.O. Bond Project	\$ 1,220,225					\$ 3,258,307	
South Beach Harbor & Marina				\$ 955,029	\$ 883,281	\$ 1,082,000	\$ 1,144,600
Capital Budget, Subtotal	\$ 15,865,303	\$ 12,800,000	\$ 38,492,151	\$ 38,765,384	\$ 27,877,281	\$ 52,396,507	\$ 20,152,694

To facilitate strategic analysis and bridge the gap between the distant ten-year time span of the capital plan and the immediacy of the two-year capital budget, in 2018 the Port developed its first Five-Year Capital Improvement Program. The CIP allows staff to consider the time span necessary to conceive, design and deliver capital projects and will guide the Port’s capital work through the current budget cycle and beyond. The CIP lays out staff’s vision for addressing the more immediate needs identified in the ten-year Capital Plan, given limited resources, while also planning strategically across the next five and ten years.

This strategic approach has resulted in increased Port investment in capital projects and the completion of several notable projects since the approval of the last five-year CIP. These projects include:

- **Pier 31.5 (Alcatraz Ferry Embarkation) Substructure Repair** - Pier 31.5 is the site of the National Park Service’s Alcatraz Ferry operations. This project included repairs to the Pier 31.5 marginal wharf and infill wharf and adjacent apron substructures; repairs to portions of the Pier 33 substructure and apron;

repairs to a portion of the Pier 31 shed substructure; and installation of sleeves on some concrete apron piles at Pier 31. The repair also included upgrading the entire driveway along the Pier 31.5 marginal wharf to accommodate heavy loads.

- **Pier 94 Backlands Improvements Project** - The Pier 94 Backlands is an approximately 47-acre expanse of formerly largely undeveloped land in the Port's southern waterfront area bounded by Amador Street and Cargo Way. This project made improvements to approximately 23 acres of the site to create approximately 16 acres of leasable land parcels. The improvements included creation of a storm water management system, landscaping, capping of a regulated landfill area, installation of lighting and other utilities, and the construction of a new access road.
- **Pier 70 Shipyard Power Relocation** - The Shipyard Power Relocation and High Voltage Redistribution Project replaced aged electrical infrastructure throughout the Pier 70 Shipyard. This project removed, replaced and properly disposed of all PCB oil-containing transformers and electrical equipment located at the shipyard, and installed new switch gear and power routing equipment that will allow for more efficient and effective power consumption and use at the facility.
- **Pier 27 Passenger Shelter** - This project installed a steel-framed passenger shelter, approximately 2,600 square feet, at the ground transportation area of the Pier 27 Cruise Terminal. The new passenger shelter replaced the temporary non-permitted shelter and provides weather protection for cruise passengers transferring to and from the cruise terminal by bus or automobile.
- **Pier 23 MEP Upgrade** - The Pier 23 Mechanical Electrical Plumbing (MEP) upgrade project improved the lighting, water and sewer systems at Pier 23. Work scope included the replacement of the existing water service with a 4-inch water service, running the length of the shed, with new backflow preventer. The project also installed an above deck 8-inch sanitary sewer riser which will allow future above deck sewer connections. Additionally, the project replaced existing shed lighting with new energy efficient LED fixtures and installed emergency egress lighting for safety.
- **Pier 45 Public Restroom Improvement** - This project constructed a new men's and women's public restroom building inside Pier 45 Shed A. The new public restrooms consist of a 400 square foot structure adjacent to two existing single-user restrooms constructed in 1993. These restrooms will provide much-needed public restroom facilities at Fisherman's Wharf.

Port staff began the current update to the Five-Year CIP with several objectives including to consider facility capital improvements holistically, and to make more deliberate and data-driven facility investment trade-off decisions. To achieve this goal, in summer of 2019 staff undertook a consultant-supported condition assessment of ten Port facilities, including Pier 45 Sheds B and D, Pier 9, 54, 35, 33, Pier 50 Shed B and C, and Roundhouse 1 and 2. The Real Estate and Development and Maritime Divisions selected these sites based on maintenance of existing lease revenue and potential for new revenue, importance to the Maritime portfolio and existence of persistent capital needs. The condition assessments gathered data on pier

substructure, building structural systems, building envelope, utilities, and egress and accessibility. This assessment process, which Port staff dubbed the Facility Inspection Repair Program Assessments (FIRPA), produced a plethora of findings, description of methodology and assumptions, condition ratings of facility elements, cost estimates and photos for each evaluated facility. FIRPA also provided staff with critical data to help define the full scope and cost to bring all ten facilities into a state of good repair. Each of the ten facilities assessed under FIRPA became a project for consideration during the CIP selection process.

Port staff entered the CIP process with the assumption that it would have approximately \$125 million in Port Capital to invest during the five-year period. During development of the CIP, Port staff evaluated and prioritized over 40 projects with an estimated cost of \$600 million for inclusion in the program. Projects competed for the same limited revenue, forcing challenging trade-off decisions. To address this challenge, the Port used a deliberate, forced-rank choice methodology to compare and rank competing projects. This approach ensured that the budget funds prioritized critical health and life safety needs first, then addresses state of good repair improvements and projects that align with the Port's strategic plan objectives.

Staff will present the complete CIP to the Port Commission in April. However, in order to comply with the timing of the City's budget process, the first two years of the CIP are presented here as the proposed FY 2020-21 and FY 2021-22 biennial capital budget. Going forward, the Port will continue this cycle of updating the ten-year Capital Plan every other year and using that high-level vision to inform biennial updates to the five-year CIP and two-year budget.

PROJECT SELECTION AND PRIORITIZATION PROCESS

In summer of 2019 Finance staff invited all Port divisions to submit capital project requests for the five-year CIP. The call for projects requested that projects be classified into one of three categories:

- 1) **Continual Capital Commitments**—Necessary projects that are funded every year, such as maintenance dredging and South Beach Harbor (which funds its own capital needs).
- 2) **Honor Prior Commitments**—Project was funded in a previous budget and requires additional funds for completion due to expanded scope, a new cost estimate, or bids that came in over the approved budget.
- 3) **New Capital Investments**—New capital projects that need funding between FY 2020-21 and FY 2024-25. These projects were then reviewed and ranked.

Staff submitted over 50 projects for consideration with Real Estate and Development and Maritime submitting the majority of the requests. A team of Port staff—comprised of key divisional representatives—then reviewed and analyzed the capital project funding requests. Of the 50 projects that were submitted, staff identified ten as “Continual Capital Commitments.” The remaining 40 projects were identified as “New

Capital Investments” and “Prior Commitments” and were presented to the Port’s Deputy Directors for ranking. These 40 projects were further categorized into the following three groups:

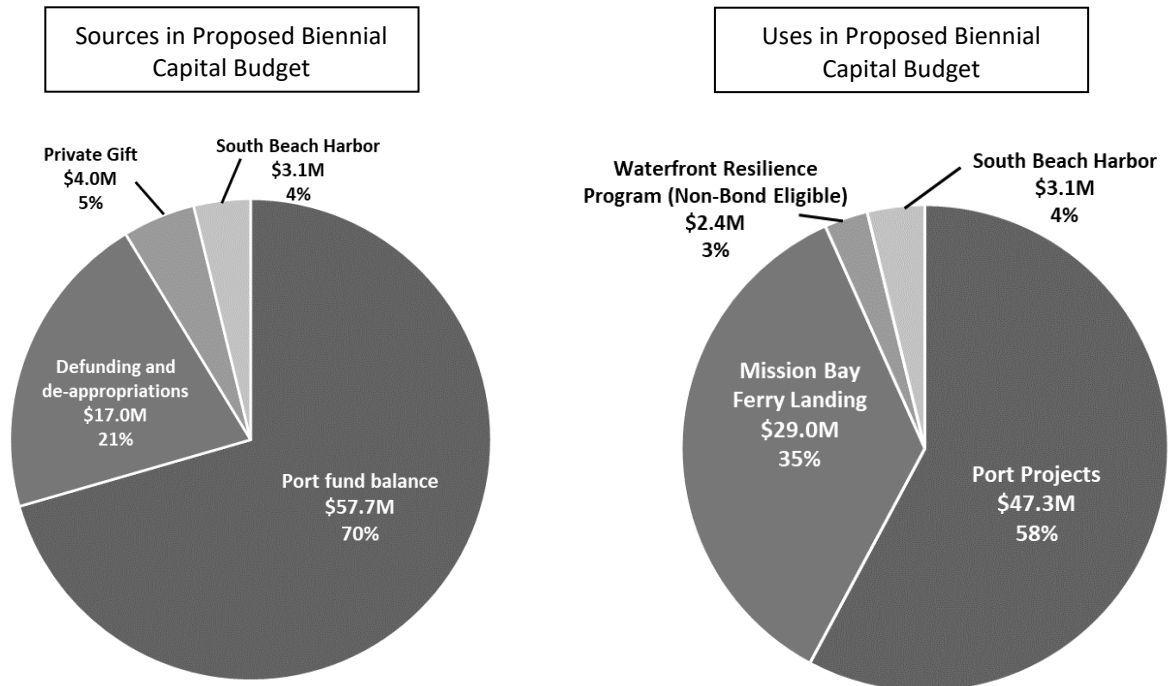
- 1) **Address Priority Health and Safety Needs**—The project is legally mandated or failure to complete the scope puts the Port in imminent jeopardy of violating code or other legal requirements. Corrects or avoids an imminent notice of violation or safety, health, code, or regulatory issue or threat to the environment;
- 2) **Facility Inspection Repair Program Assessment**—The project scope and cost estimate resulted from facility condition assessments identifying work recommended to bring the facility to a state of good repair for at least the next ten years. Projects in this group reflected the CIP goal of considering entire facilities for project improvements;
- 3) **Strategic Plan**—The project promotes maritime commerce, navigation or fisheries; attracts people to the waterfront; protects natural resources; provides facilities that attract the public to use the waterfront; or aligns with any of the strategic plan objectives: *Evolution, Resiliency, Engagement, Sustainability, Productivity, and/or Stability.*

Over the course of two days in October 2019, the Deputies reviewed and ranked the projects using a forced-choice rank methodology. To support the prioritization of facilities and projects and to inform trade-off decisions, the Deputy Directors considered criteria such as a project’s useful life, revenue generation (ROI), importance to the public trust, feasibility, and urgency. At the conclusion of the review process, the Deputies had agreed upon a prioritized capital project list with over \$600 million in estimated project costs. Twenty-seven of these projects will be funded in the FY 2020-21 and FY 2021-22 capital budget.

Finance staff then used the criteria above, combined with the Deputies’ project rankings, to create a draft five-year CIP that sought to meet the identified priorities without exceeding the estimated \$25 million in available capital funding for each of the five years. The first two years of the five-year CIP then became the draft biennial capital budget. Finance staff then submitted the proposed capital projects and recommended funding levels to the Port’s Executive Director for adjustment and final approval before submission to the Port Commission for its review and comment. The outcome is a biennial capital budget which is integrated into the two-year budget cycle, and a five-year capital program which will be presented to the Port Commission in April. The CIP process lags the budget process to provide staff with additional time to draft the CIP document including project descriptions, funding details and schedules.

CAPITAL BUDGET EXPENDITURES

The proposed biennial capital budget of \$81.8 million is a \$8.4 million (11.4% from \$73.4 million) increase from the FY 2018-19 and FY 2019-20 budget.



Sources

The sources in the proposed FY 2020-21 and FY 2021-22 capital budget consist of Port fund balance, South Beach Harbor Operating Revenue, a private gift supporting Mission Bay Ferry Landing, and de-appropriations.

Port Fund Balance

The Port uses its fund balance to fund the capital budget and maintain the 15% operating reserve. Fund balance accumulates as a result of year-end surplus and designating projected net operating revenue to future capital projects. Port fund balance of \$57.7 million makes up 70% of the funding sources.

South Beach Harbor Operating Revenue

South Beach Harbor, a self-sustaining Port facility, designates its net operating revenue to capital. South Beach Harbor projects \$3.1 million in net operating revenue to support capital over the next two years.

Private Gift

A private gift of \$4.0 million supports the construction of the Mission Bay Ferry Landing in FY 2020-21.

Defunding and De-Appropriations

As previously noted, Port staff considered over \$600 million in proposed projects for an estimated five-year funding budget of approximately \$125 million. To create additional funding to support projects in the FY 2020-21 capital budget, Port Staff proposes to defund and re-appropriate a total of \$17.0 million through the FY 2020-21 budget. The \$17.0 million is currently appropriated within the Port's capital fund and consists of \$1.9 million in completed projects; \$6.3 million in reductions to existing funding levels; \$2.3 million in deferred projects; and \$6.5 million in surplus funding from vacant project-funded positions. Port staff will work with the Controller's Office to return this funding to the fund balance where it can then be used as a source to support the FY 2020-21 budget.

Completed Projects

De-appropriation of funding for fifteen completed and closed projects constitutes \$1.9 million (11%) of the defunding total.

Table 1: Completed Projects

Project	Remaining Balance	Justification
Pier 23 Roof Replacement	\$ 2,384	Project is complete.
Pier 45 Replace Wood piles	\$ 8,476	Project is complete.
Pier 29.5 & 31 Bldg;Roof &	\$ 9,014	Project is complete.
Crane Painting & Upgrade Pr	\$ 9,633	Project is complete.
Bayview Gateway - W/A To	\$ 14,076	Project is complete.
Various Underpier Utility Repairs	\$ 45,809	Project is complete.
Rail Track Ins. and Assess	\$ 46,968	Project is complete.
Quint Street Lead Improvements	\$ 64,212	Project is complete.
Pier 80/92/96 Track Maintenance	\$ 102,099	Project is complete.
Pier 94 Storm Sewer Improvements	\$ 173,467	Project is complete.
Wharf J-3 Repair Project	\$ 215,016	Project is complete.
Pier 80 High Mast Lighting	\$ 234,165	Project is complete.
Pier 23 Mep And Restroom Renovation	\$ 310,833	Project is complete.
Pier 19.5 Roofing Project	\$ 668,000	Project is complete.
COMPLETED SUBTOTAL	\$ 1,904,153	

Reduced Projects

Six million three hundred thousand dollars (37%) comes from the reduction in funds for nine projects, either due to reduced need or change in scope after having completed part of the project. Staff will reduce funding in an emergency maintenance project by \$60,000 to \$0.75 million to match the Port's insurance deductible. The Special Area Plan is being reduced by \$0.1 million in order to reflect new Port priorities. The Port ADA transition plan will be reduced by \$0.2 million because most required ADA improvements are funded through construction budgets for specific projects. Staff will reduce the fire protection engineer funding by \$0.3 million to reflect the fact that this cost is covered by an existing work order with the Fire Department.

Projects with scope adjustments include the Beltline Building tenant space, Pier 70 historic buildings stabilization, the Special Area Plan, bay fill removal, elevator/escalator upgrades, and the shipyard repair project. The Beltline Building budget is reduced by \$0.3 million due to reduction in scope to re-roofing only. The Pier 70 historic buildings stabilization is being reduced due to scope adjustment after partial project completion. The bay fill removal project is reduced by \$2.8 million due to inability to secure an USACE grant, leaving \$2.0 million available funding. The Port's project to improve elevators and escalators is being reduced to reflect other real estate division priorities. The \$1.4 million appropriated to the shipyard project is reduced due to the changing function of the shipyard.

Deferred Projects

Two million three hundred thousand dollars of the de-appropriation total (14%) results from deferred projects. These are projects that were funded in previous budgets but, due to a variety of circumstances, are not on track for delivery in FY 2020-21 or FY 2021-22. These projects include \$2.0 million in funds intended for grant matching, to dredge the Central Basin now deferred due to the closure of the shipyard and \$0.2 million in CIP funding for repairs at Pier 50 Shed B, which will be funded in a later year of the budget.

Personnel

Port staff has identified \$6.5 million in surplus funding related to vacant project-funded positions for de-appropriation in the budget (38%). This surplus occurred as a result of scarcity of qualified applicants. The de-appropriation includes funding for a concrete pile repair crew, a wood pile repair crew, and the capital project implementation team. Staff will re-appropriate this funding to project-funded personnel, including pile repair crews, cement masons and the Project Management Office, in the next two fiscal years.

Table 2: Reduced and Deferred Project and Personnel De-Appropriations

Project	Year Appropriated	Prior Appropriation	De-Appropriation Amount	Justification
Reduced				
Emergency Facility Maintenance	Prior to FY 2016-17	\$ 1,307,229	\$ 57,705	Reducing to fund only amount needed to match Port's insurance deductible.
Special Area Plan	Prior to FY 2016-17	\$ 246,477	\$ 66,558	Reducing to balance needed to complete special area planning needs and Port priorities (incl. Aquatic Park contribution).
Port ADA Transition Plan	Prior to FY 2016-17	\$ 938,955	\$ 169,149	Reducing to balance needed to complete ADA improvements not funded through specific projects.
Fire Protection Engineer	Prior to FY 2016-17	\$ 884,908	\$ 278,558	Reducing to reflect existing work order to Fire Department; savings have been incurred due to vacancy.
Beltline Building Tenant Space	Prior to FY 2016-17	\$ 680,000	\$ 305,000	Reducing to reflect adjusted project scope, which has been redefined to include re-roofing only.
Pier 70 Historic Buildings Stbl	Prior to FY 2016-17	\$ 2,020,000	\$ 508,675	Reducing balance after re-scoping and work completed.
SF Bay Fill Removal	Prior to FY 2016-17	\$ 4,803,000	\$ 2,800,000	Reducing project by amount of budgeted grant match, reflecting inability to secure Army Corps grant.
Port Elevator/Escalator Upgrade	Prior to FY 2016-17	\$ 1,032,682	\$ 663,268	Funds reprogrammed to other Real Estate leasing priorities.
SF Shipyard Repair Project	FY 2018-19	\$ 3,769,000	\$ 1,404,885	Reducing balance due to change in function of the shipyard.
REDUCED SUBTOTAL			\$ 6,253,798	
Deferred				
Central Basin Dredging	Prior to FY 2016-17	\$ 2,000,000	\$ 2,000,000	Work deferred due to closure of shipyard.
P50 Shed B Apron Part Repair	FY 2019-20	\$ 341,250	\$ 341,250	Fully funded in a later year of the Capital Improvement Program.
DEFERRED SUBTOTAL			\$ 2,341,250	
PROJECT DE-APPROPRIATION SUBTOTAL			\$ 8,595,048	
Personnel				
Concrete Pile Repair Crew	FY 2018-19	\$ 2,306,726	\$ 2,306,726	Savings used for future years funding.
Wood Pile Repair Crew	FY 2018-19	\$ 2,894,729	\$ 2,894,729	Savings used for future years funding.
Capital Project Implementation Team	FY 2018-19	\$ 2,460,832	\$ 1,275,001	Savings used for future years funding.
PERSONNEL DE-APPROPRIATION SUBTOTAL			\$ 6,476,456	
DE-APPROPRIATION TOTAL			\$ 15,071,504	

Summary of Investments

The proposed project list for the FY 2020-21 and FY 2021-22 capital budget reflects the staff's effort to consider whole-facility capital improvements and to make more deliberate and data-driven capital investment decisions. The list also sustains the Port's commitment to spending the majority of capital budget dollars on projects that keep Port facilities safe for tenants and visitors, addressing state of good repair needs, and addressing or preventing code violations. The budget also includes personnel funding to facilitate capital project delivery and supports the Mission Bay Ferry Landing, and the Waterfront Resilience Program. All FY 2020-21 and FY 2021-22 proposed capital investments are detailed in **Table 3**, as well as previously funded projects and new projects in **Table 4**.

Critical Life Safety Improvements (*advancing Stability and Productivity*)

- Funding to correct fire, utility, environmental, and building code violations that put Port staff, tenants, and visitors in harm's way:
 - Fix sprinkler system at Pier 50 Shed D to bring up to code;
 - Upgrade the Pier 1 generator to power both the fire suppression system pump and sections of the Port's offices in the event of a power outage, which is critical to safety of building personnel and the building itself;
 - Avoid notice of violation that would displace tenants, by removing obsolete Pier 26 deluge system and installing new fire standpipe system;
 - Utility projects to keep utilities such as sewer and power systems in good repair. Additional funds to support re-routing the sewer at Pier 7½ for code compliance;
 - Funding to support Portwide ladder and skylight retrofit to become OSHA compliant in order and protect Port employees and contractors from falls;
 - Avoid building code violation with new exhaust system at Pier 29.5 parking garage;
 - Cap contaminated native soil at Pier 70 which has naturally occurring contaminants, and honor a regulatory commitment to the Water Board;
 - Evaluate problem and develop plan to address potable water leaking into the Bay at Pier 24 and 26.

FIRPA Investments (*advancing Stability, Resiliency, and Productivity*)

- The Port's first round of FIRPA analysis resulted in extensive data on ten Port facilities, outlining the work necessary to bring each facility to a state of good repair. Critical life safety repairs on three of the facilities and funding for future FIRPA facility assessments are the first phase of FIRPA-guided investments in the five-year CIP.
- Funds will support improvements of pier substructure, building structural systems, building envelope, utilities, egress and accessibility, specifically:

- Funding for Pier 33 life safety improvements that support fish processing and tourism industry tenants by removing falling concrete, repairing timber column bases, and installing fire sprinklers in shed and bulkhead;
- Additional funding for Pier 35, home to the Port's secondary cruise terminal, special event, and office spaces, in order to address pedestrian hazards, fire code violation, and deteriorated building substructure;
- Funding for Pier 45 B, D, the Port's major commercial seafood processing facility, for building envelope, egress, and substructure repairs.
- The Port intends to repeat the FIRPA process every other year on a rolling basis, with \$1.6 million committed in FY 2021-22.

Other Strategic Plan Investments (*Advancing Productivity, Stability, Resiliency, and Equity*)

- Funds lease preparation projects that facilitate new interim lease opportunities through facility upgrades and enhancements. In anticipation of pursuing a new tenant, or as part of lease negotiations with an existing or potential tenant, the Port must occasionally make improvements to a facility. Improvements may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing. Locations currently identified for improvements include:
 - Roundhouse 2, where HVAC system improvements are needed for tenant health and safety and other work is required to revitalize the building and improve its market value;
 - Pier 29 pump station and force main to allow for restrooms, and support early activation strategy for historic piers.
- Maritime Global Cargo Shipping investments, including
 - Pier 80 Berth-C fendering upgrade to adequately and safely handle current fleet of vessels, and maintain the Port's automobile import and export business line;
 - Improvements to Pier 80 grading to prevent flooding and allow for proper draining of the terminal;
 - Maintenance dredging program to cover routine dredging to maintain depths for vessels in support of maritime commerce, as well as the required complementary testing of dredge sediments for contaminants. Dredging locations for this budget period include South Beach Harbor.
- Project Delivery (*advancing Renewal*)
 - Additional funding for Cement Mason Crew and Pile Crew;
 - Continue funding the Project Management Office to increase the Port's capacity to deliver capital projects; and
 - Project contingency/reserve to address project budget increases that arise for reasons such as: unforeseen site conditions that exceed project

contingencies or San Francisco's bidding environment, in which the Port and other agencies often receive bids 25-50% over the engineer's estimate.

Continuing Capital Commitments (*advancing Resiliency and Equity*)

- Allocate additional funding to the Waterfront Resilience Program to support project costs that are not General Obligation Bond eligible including consulting services for the Envision process. Also funding a grant match to support an Earthquake Mitigation Project for Marine Structure Piles, to increase the Port's earthquake preparedness;
- Additional funding for transit infrastructure and resiliency to construct the Mission Bay Ferry Landing;
- Allocate funding to the Southern Waterfront Beautification Fund, in compliance with Port-Commission policy, to support open space projects, wetland restoration, pier removal, public art, and historic preservation in the Southern Waterfront;
- Additional funding for public art to meet standards set in the 2012 Clean & Safe Neighborhood Parks Bond;
- Allocating net revenue within South Beach Harbor, a self-sustaining facility, to fund end tie replacement and repair work, Pier 40 South Guest Dock repair work, design and installation of a public kayak launch and dredging in 2020.

Table 3: Proposed FY 2020-21 and 2021-22 Capital Budget

Two Year Capital Budget					
			Proposed Funding FY 2020-21	Proposed Funding FY 2021-22	Proposed Two Year Funding Total
Port Funding Sources					
Port fund balance			\$ 30,984,065	\$ 26,704,428	\$ 57,688,492
South Beach Harbor			\$ 1,529,930	\$ 1,584,797	\$ 3,114,727
Non-Port Funding Sources					
Defunding and de-appropriations			\$ 16,975,657	\$ -	\$ 16,975,657
Private Gift for Mission Bay Ferry Landing			\$ 4,000,000	\$ -	\$ 4,000,000
Total Requested Sources			\$ 53,489,652	\$ 28,289,225	\$ 81,778,876
Proposed Capital Projects					
Project Name	Client Division	Funding Phase	Proposed FY 2020-21	Proposed FY 2021-22	Proposed Two Year Funding Total
Portwide					
Contingency	Portwide		\$ 2,905,556	\$ 1,462,500	\$ 4,368,056
Public Art	Planning & Envir	Design & Construction	\$ 360,000	\$ -	\$ 360,000
Earthquake Mitigation Project for Marine Structures Piles	Portwide	Research	\$ 565,000	\$ -	\$ 565,000
Portwide Ladder and Skylight Retrofit For OSHA Compliance	Maintenance	Construction	\$ 1,281,731	\$ -	\$ 1,281,731
FIRPA Facility Assessments	Portwide	Planning	\$ -	\$ 1,600,000	\$ 1,600,000
Pile Crew	Maintenance	Personnel	\$ 1,592,810	\$ 1,640,594	\$ 3,233,404
Cement Mason Crew	Maintenance	Personnel	\$ 294,585	\$ 303,423	\$ 598,008
Capital Project Implementation Team (PMO)	Portwide	Personnel	\$ 1,645,111	\$ 1,694,465	\$ 3,339,576
Waterfront Resilience Non-Bond Eligible	Waterfront Resilience	Planning	\$ 1,763,929	\$ 605,222	\$ 2,369,151
Portwide Subtotal			\$ 10,408,722	\$ 7,306,204	\$ 17,714,926
Fisherman's Wharf					
Pier 45 B, D, Substructure -- Life Safety	RE & D	Design & Construction	\$ -	\$ 1,162,500	\$ 1,162,500
Fisherman's Wharf Subtotal			\$ -	\$ 1,162,500	\$ 1,162,500
Ferry Building					
Pier 1 Generator	RE & D	Construction	\$ 1,000,000	\$ -	\$ 1,000,000
Ferry Building Subtotal			\$ 1,000,000	\$ -	\$ 1,000,000
Northeast Waterfront					
Pier 7.5 Sewer Re-Routing project	RE & D	Construction	\$ 194,000	\$ -	\$ 194,000
Roundhouse 2 -- Life Safety	RE & D	Construction	\$ 200,000	\$ -	\$ 200,000
Pier 29.5 Parking Exhaust System	RE & D	Design & Construction	\$ 454,000	\$ -	\$ 454,000
Pier 29 Pump Station and Force Main	RE & D	Construction	\$ 250,000	\$ -	\$ 250,000
Pier 33 -- Life Safety	RE & D	Design & Construction	\$ -	\$ 2,925,000	\$ 2,925,000
Pier 35 -- Life Safety	RE & D	Design & Construction	\$ -	\$ 7,335,724	\$ 7,335,724
Northeast Waterfront Subtotal			\$ 1,098,000	\$ 10,260,724	\$ 11,358,724
South Beach / China Basin					
Pier 26 Deluge System Replacement	RE & D	Design & Construction	\$ 500,000	\$ -	\$ 500,000
Pier 24 and 26 Water Pipe Leak	RE & D	Conceptual Design	\$ 100,000	\$ -	\$ 100,000
Pier 50 Shed D Fire Sprinkler System	Maintenance	Construction	\$ 493,000	\$ -	\$ 493,000
Mission Bay Ferry Landing	Maritime	Construction	\$ 29,000,000	\$ -	\$ 29,000,000
South Beach Harbor	Maritime	Construction	\$ 1,529,930	\$ 1,584,797	\$ 3,114,727
<i>Pier 40 repairs and dredging</i>					
South Beach / China Basin Subtotal			\$ 31,622,930	\$ 1,584,797	\$ 33,207,727
Southern Waterfront					
Southern Waterfront Beautification Fund	Portwide		\$ 3,235,000	\$ 3,100,000	\$ 6,335,000
Pier 70 Undeveloped Upland Soil Cap	Planning & Envir	Design & Construction	\$ 2,000,000	\$ -	\$ 2,000,000
Pier 70 Contaminated Sediment Cap	Planning & Envir	Design & Construction	\$ 2,500,000	\$ -	\$ 2,500,000
Pier 80 Berth-C Fendering Upgrade	Maritime	Design & Construction	\$ 375,000	\$ 1,125,000	\$ 1,500,000
Pier 80 Grading	Maritime	Design & Construction	\$ 1,250,000	\$ 3,750,000	\$ 5,000,000
Southern Waterfront Subtotal			\$ 9,360,000	\$ 7,975,000	\$ 17,335,000
Total Proposed Capital Project Budget			\$ 53,489,652	\$ 28,289,225	\$ 81,778,877

Tables 4 and 5: Previously Funded and New Capital Projects

Below are the projects in the proposed budget for which funds will supplement prior appropriations and new capital projects. Previously funded projects need additional funds because: 1) the project is entering a new phase; 2) recent cost estimation or a bid indicates a higher total project cost; or 3) increase in project scope.

Previously Funded Capital Projects					
Excluding Project Funded Personnel Positions					
Project Name	Prior Appropriation	Proposed FY 2020-21	Proposed FY 2021-22	Total	
Pier 45 B, D, Substructure -- Life Safety	\$ 108,128	\$ -	\$ 1,162,500	\$ 1,270,628	
Pier 7.5 Sewer Re-Routing project	\$ 262,500	\$ 194,000	\$ -	\$ 456,500	
Public Art	\$ 330,000	\$ 360,000	\$ -	\$ 690,000	
Portwide Ladder and Skylight Retrofit For OSHA Compliance	\$ 500,000	\$ 1,281,731	\$ -	\$ 1,781,731	
Roundhouse 2 -- Life Safety	\$ 616,771	\$ 200,000	\$ -	\$ 816,771	
Pier 29 Pump Station and Force Main	\$ 800,000	\$ 250,000	\$ -	\$ 1,050,000	
Pier 26 Deluge System Replacement	\$ 952,116	\$ 500,000	\$ -	\$ 1,452,116	
Southern Waterfront Beautification Fund	\$ 989,004	\$ 3,235,000	\$ 3,100,000	\$ 7,324,004	
Pier 35 -- Life Safety	\$ 3,218,416	\$ -	\$ 7,335,724	\$ 10,554,140	
South Beach Harbor	\$ 4,064,910	\$ 1,529,930	\$ 1,584,797	\$ 7,179,637	
Waterfront Resilience Non-Bond Eligible	\$ 6,600,000	\$ 1,763,929	\$ 605,222	\$ 8,969,151	
Mission Bay Ferry Landing	\$ 6,970,000	\$ 29,000,000	\$ -	\$ 35,970,000	
Contingency	\$ 2,078,881	\$ 2,905,556	\$ 1,462,500	\$ 6,446,937	
Total	\$ 27,490,726	\$ 41,220,146	\$ 15,250,743	\$ 83,961,615	

Pier 45 B, D, Substructure – Life Safety \$1,270,628

Pier 45 Shed B and D was analyzed through the first round of FIRPA assessments and is funded to address critical life safety improvements. Project scope includes removal and patching of loose spalling concrete on Shed B and D, reconfiguration of chain link fence storage areas and installation of exit signs to bring fire exiting to code compliance, and pile repairs at the East and West timber aprons. Prior funding addressed some of the required pile repair at Pier 45.

Pier 7.5 Sewer Re-Routing project \$456,500

Additional funding for construction of project that will re-route sewer to properly connect to manhole in street. The sewer currently serving Port tenant is improperly discharging to catch basin resulting in a notice of violation. The original appropriation of \$262,500 in FY 2019-20 is not sufficient to cover the need.

Public Art **\$690,000**

Allocation of required 2% of the 2012 Clean & Safe Neighborhood Parks Bond for public art at Pier 27. Due to higher cost of art, \$360,000 in additional funding is needed and a bid for the art installation will be initiated by San Francisco Arts Commission in summer of 2020.

Portwide Ladder and Skylight Retrofit for OSHA Compliance **\$1,781,731**

The goal of this project is to provide compliant ladders for roof access to all Port buildings and compliant guards to unprotected skylights on Port rooftops to ensure the safety of Port staff. Project will install ladders with cage, specialized ladders, and skylight guards to ensure that the Port is in compliance with Cal/OSHA ladder and skylight regulations. \$500,000 in funds appropriated for ladder replacement in 2017 will support the need. The project will begin construction in FY 2020-21.

Roundhouse 2 – Life Safety **\$816,771**

This project will correct deficiencies in the fire rated construction of HVAC shafts that could allow fire and/or smoke to spread between floors of the building. The deficiencies will be corrected by replacing all fire/smoke dampers at duct penetrations, and by properly sealing the sheetrock around each fire/smoke damper. Due to this non-compliant condition and elevated safety risk, the Port Fire Marshall may issue a notice of violation if the Port does not correct this condition. The project will begin construction in FY 2020-21.

Pier 29 Pump Station and Force Main **\$1,050,000**

This project at Pier 29 will support the Port's Historic Pier Rehabilitation work by creating functioning restrooms in Pier 29. Project includes building a new, smaller pump station next to the public restrooms in the middle of the Pier 29 Shed with a force main above deck connecting to the new sewer riser in the front of Pier 29. Sewer riser work was previously funded and is currently under construction, this allocation will fund work on the pump station additional appropriation is need for project completion.

Pier 26 Deluge System Replacement **\$1,452,116**

This project will avoid notice of violation that would displace 14 tenants by removing the obsolete Pier 26 deluge system and installing new fire standpipe system. The project scope includes removing heat activated devices/heat sensors, heat plates, deluge system piping, hangers, sprinkler heads, associated electrical equipment, control valves, and deluge valves. In addition, this project includes design and construction of a manual wet Class I fire standpipe system. \$952,000 was allocated in previous budget, and additional \$500,000 is needed in FY 2020-21 to cover additional costs related to scaffolding and hazardous material abatement.

Southern Waterfront Beautification Fund **\$7,324,004**

Appropriates capital funding for the Commission policy to fund for Southern Waterfront community benefits and beautification, including projects in the Southern

Waterfront with a specific focus on open space, wetland restoration, pier removal, public art, and historic preservation.

Pier 35 – Life Safety **\$10,554,140**

Additional funding is allocated for Pier 35, home to the Port’s secondary cruise terminal, in order to address pedestrian hazards, fire code violation, and deteriorated building substructure. The project scope includes permanently repairing plaster facade at the North Bulkhead building, repairing column bases with major damage, replacing outdated fire sprinkler heads, and repairing deteriorated concrete piles. Pier 35 is currently the site of pile repair research for the Port’s Maintenance Division and this represents a continued investment.

South Beach Harbor **\$7,179,637**

Allocating net revenue within South Beach Harbor, a self-sustaining facility, to fund end tie replacement and repair work, repairs to the Pier 40 South Guest Dock, design and installation of a public kayak launch and dredging in 2020.

Waterfront Resilience Non-Bond Eligible **\$8,969,151**

See *Key Investments* for further information.

Mission Bay Ferry Landing **\$35,970,000**

See *Key Investments* for further information.

Contingency **\$6,446,937**

Contingency is funded to address project budget increases that arise for reasons such as: unforeseen site conditions that exceed project contingencies or San Francisco’s bidding environment.

New Capital Projects				
PROJECT NAME	Proposed FY 2020-21	Proposed FY 2021-22	Total	
Pier 24 and 26 Water Pipe Leak	\$ 100,000	\$ -	\$ 100,000	
Pier 29.5 Parking Exhaust System	\$ 454,000	\$ -	\$ 454,000	
Pier 50 Shed D Fire Sprinkler System	\$ 493,000	\$ -	\$ 493,000	
Earthquake Mitigation Project for Marine Structures Piles	\$ 565,000	\$ -	\$ 565,000	
Pier 1 Generator	\$ 1,000,000	\$ -	\$ 1,000,000	
Pier 80 Berth-C Fendering Upgrade	\$ 375,000	\$ 1,125,000	\$ 1,500,000	
Pier 80 Grading	\$ 1,250,000	\$ 3,750,000	\$ 5,000,000	
Pier 70 Undeveloped Upland Soil Cap	\$ 2,000,000	\$ -	\$ 2,000,000	
Pier 70 Contaminated Sediment Cap	\$ 2,500,000	\$ -	\$ 2,500,000	
FIRPA Facility Assessments	\$ -	\$ 1,600,000	\$ 1,600,000	
Pier 33 -- Life Safety	\$ -	\$ 2,925,000	\$ 2,925,000	
Total	\$ 8,737,000	\$ 9,400,000	\$ 18,137,000	

Pier 24 and 26 Water Pipe Leak \$100,000

Funding to evaluate the problem and develop a plan to address potable water leaking into the Bay at Pier 24 and 26. A permanent fix for leak, including bringing the pipe above deck in keeping with the Strategic Plan objective, is expected to be funded in a later capital budget.

Pier 29.5 Parking Exhaust System \$454,000

Funds allow the Port to retain existing tenant and use by installing new exhaust system to meet building code requirements and remove notice of violation risk. Operating the space is dependent on cross air ventilation.

Pier 50 Shed D Fire Sprinkler System \$493,000

Lunch rooms, equipment room and storage areas were added to Pier 50 Shed D Maintenance Facility after the initial construction and installation of fire sprinklers. Due to current fire code violation, automatic sprinklers must be installed. Scope includes expanding the installation of the sprinkler system into lunch rooms, exercise room, and storage areas to comply with NFPA 13 (2016), NFPA 14 (2016) and SFFD requirements. The project has already been engineered; plans, scope and cost estimate are available and the project will go into construction once funds are allocated.

Earthquake Mitigation Project for Marine Structures Piles **\$565,000**

A grant match to support an Earthquake Mitigation Project for Marine Structure Piles research study. The objective of this study is to develop data through detailed modeling and physical testing of marine piles subject to seismic loads. This data can then be used to reassess performance-based criteria seismic design codes.

Pier 1 Generator **\$1,000,000**

Project will make improvements to the Pier 1 Generator which currently does not provide power to the fire pump in the event of a power outage. These improvements are critical to the safety of the building's personnel and the building itself, as portions of the building will be acting as the Port's Emergency Operations Center. Scope consists of modifying existing system by removing non-emergency loads from automatic transfer switch and adding the jockey and fire pumps to ATS, then adding a special mechanism that uses a shunt trip scheme to allow generator to alternate power provision. Project will be ready to go bid as soon as funding is appropriated.

Pier 80 Berth-C Fendering Upgrade **\$1,500,000**

Pier 80 Berth-C fendering upgrade is required to adequately and safely handle the current fleet of vessels calling Pier 80 for the Port's automobile import/export business line. The project will engineer and construct an upgraded fendering system to handle largest class of vessels and additional funding is needed to make Pier 80 more marketable to the shipping lines and automobile makers as it will allow for less risk of vessel damage and a safer stay while alongside the pier.

Pier 80 Grading **\$5,000,000**

Portions of the terminal are subsiding, resulting in flooding at high tides. The most recent high tide flooding resulted in needing to clear car inventory from approximately 100 car stalls to avoid potential damage to car inventory and necessitated re-routing traffic in the terminal and to the ship. The flooding area needs to be re-graded to prevent high water intrusion and direct rainwater to better functioning storm drains.

Pier 70 Undeveloped Upland Soil Cap **\$2,000,000**

The Port committed to the Regional Water Quality Control Board to remediate naturally occurring contaminated soil at Pier 70 by capping the soil with an engineered cover. The scope of work for this project includes design and construction of the cap.

Pier 70 Contaminated Sediment Cap **\$2,500,000**

This project will design and implement a sediment cap to remediate PCB contaminated soil adjacent to Pier 70. Investigation will be performed to determine the severity and extent of sediment contamination. Port staff will then develop a project-specific, construction-ready remedial action plan.

FIRPA Assessments**\$1,600,000**

Port staff undertook the Facility Inspection Repair Program Assessments (FIRPA) analysis to inform the CIP process, consider capital improvements holistically, and make more deliberate, data-driven investment decisions. Ten Port facilities were assessed in 2019, and the Port intends to repeat the process every other year on a rolling basis.

Pier 33 – Life Safety**\$2,925,000**

FIRPA identified numerous critical life safety improvements for Pier 33. Project will repair timber column bases and primary truss frames with "major to severe" damage rating, install fire sprinklers throughout shed and bulkhead, remove and patch loose spalling concrete to remove hazard from falling debris, and replace roofing of Pier 33 Bulkhead.

KEY CAPITAL INVESTMENTS**FIRPA**

Based on the facility assessments conducted through FIRPA, the Port will invest \$11.4 million in three facilities, the first phase of investments utilizing this new approach. Of ten facilities analyzed through FIRPA, Pier 33, Pier 35, and Pier 45 B and D will receive funding in the two-year budget. These investments target facilities that support fish processing, tourism, and the cruise industry and capital dollars will be allocated to life safety improvements for tenants, the public, and Port staff. A \$2.9 million investment at Pier 33, a critical fish processing facility, will address falling concrete, deteriorated timber column bases, and a fire code violation. Pier 35, the Port's secondary cruise terminal, special event, and office space, will receive an addition \$7.3 million to address pedestrian hazards, fire code violation, and deteriorated building substructure. Finally, the Port will invest \$1.2 million in Pier 45 Shed B and D, the major commercial seafood processing facility, for work on the building envelope, egress issues, and substructure repairs. The Port is committed to further FIRPA assessments in the biennial budget of \$1.6 million in FY 2021-22.

Waterfront Resilience Program

The Port implemented the Waterfront Resilience Program to ensure that the waterfront, and its important regional and citywide assets are resilient in the face of hazards such as earthquakes, flooding, sea level rise due to climate change, shoreline erosion, and others. The program aligns with numerous initiatives including the Embarcadero Seawall Program, the USACE/Port Flood Study, the Historic Pier Rehabilitation Program, the Southern Waterfront Resilience Study, and the Islais Creek Adaption Study.

While much of the work of the Waterfront Resilience Program may be funded by the 2018 Embarcadero Seawall Bond, certain expenses are not bond-eligible. The biennial

capital budget includes \$2.4 million in funding to support the costs of seeking funding for the entire program of up to \$5 billion, and the Envision planning work that will engage the community to envision the Waterfront at 2100 and beyond.

Mission Bay Ferry Landing

The Mission Bay Ferry Landing (MBFL) will provide critical regional ferry service to and from the Mission Bay neighborhood, one of the fastest-growing neighborhoods in San Francisco, as well as the Dogpatch, Potrero Hill, Pier 70, and the Central Waterfront. The Port of San Francisco is leading the MBFL project with the support of the Mayor's Office, Office of Economic and Workforce Development, Water Emergency Transportation Authority (WETA), and consulting design teams. Design and permitting for the project have been completed.

The Port and WETA estimate that the MBFL will have the capacity to handle up to 6,000 passengers per day. The ferry landing is essential to alleviate current regional transportation overcrowding and provide transportation resiliency in the event of an earthquake, BART or Bay Bridge failure, or other unplanned events.

The primary funding source for the Mission Bay Ferry Landing construction budget is a \$25 million allocation from Regional Measure 3 (RM3), a bridge toll increase passed by Bay Area voters in June 2018. RM3 is currently being litigated and the funds are not yet available for project use. The two lawsuits challenging RM3 were dismissed by the Superior Court in spring 2019. The cases are pending at the California Court of Appeals. They have been briefed and are currently pending oral arguments. The Metropolitan Transportation Commission (MTC), the administrator of RM3 funding, is optimistic about the outcome, however there is a risk that the state will not prevail in the litigation.

To avoid delay of RM3 projects, MTC has agreed to issue a "Letter of No Prejudice" (LONP) to implementing agencies, allowing an agency to move forward with a specific scope of work, using non-RM3 funds, and retaining RM3 eligibility for that scope. Upon successful resolution of the RM3 litigation, the implementing agency would be eligible to be reimbursed by RM3 funds. The Port and WETA will apply for a LONP for Mission Bay Ferry Landing from MTC in April.

To allow the Mission Bay Ferry Landing project to advance, the Port proposes to appropriate \$25 million of Port Capital in the FY 2020-21 budget. This appropriation would occur after MTC issues an LONP for the project. The Port anticipates awarding a construction contract for the Mission Bay Ferry Landing in early 2021. At that point, staff expects to have more information about the status of the RM3 litigation. Prior to committing the \$25 million in Port Capital to the construction contract, staff will request that the Port Commission make an affirmative decision to expend the funds on the MBFL project. Staff believes that this approach gives the Port the flexibility to move forward with the project but allows the Port Commission to make a considered decision with additional information about the potential risk of a Port Capital investment.

Based upon recent bid information for MBFL, Port staff are not confident that the Port can deliver the project with currently budgeted construction funding. Costs have increased due primarily to the need to dredge and cap the site as a result of contamination from a defunct fuel terminal at Pier 64, which is adjacent to the MBFL. In February 2020 the Port entered into a six-party cost sharing agreement to investigate the contaminated sediments at Pier 64. Port staff anticipates that the investigation will take approximately six months to complete and that it will provide detailed information about the site and the contaminated sediments. At the conclusion of the investigation in summer 2020 the six parties and the Regional Water Quality Control Board, the responsible regulator, will use that information to develop a remediation plan. The Port hopes to negotiate an extension of the cost sharing agreement to address the remediation. This remediation cost sharing agreement would cover reimbursement for a portion of the dredge and capping work at Mission Bay Ferry Landing.

The requested \$29.0 million for the MBFL project in the FY 2020-21 capital budget includes appropriation of a \$4.0 million private gift as well as a \$25 million allocation of Port Capital to enable project construction, with the expectation that the \$25 million will be repaid from RM3 funds upon the conclusion of the litigation. These funds will be combined with a previous appropriation of \$6.97 million for total MBFL funding of approximately \$36 million.

General Fund Requests

To address the potential shortfall in the Mission Bay Ferry Landing project described above, staff has requested \$5.0 million from the General Fund through the Capital Planning Commission for construction of the project.

Environmental Remediation at Pier 70

The Port is investing a total of \$4.5 million in environmental remediation at Pier 70, including \$2 million for an undeveloped upland soil cap and \$2.5 million for a contaminated sediment cap. These investments support the Brookfield and Orton Development projects at Pier 70, as well as the upcoming opening of Crane Cove Park. Due to the contaminated native soil at Pier 70 and requirements of the Regional Water Quality Control Board, these are important investments in public safety as development work transitions Pier 70 into a viable neighborhood.

RETURNS ON INVESTMENT

The Port's investment in state of good repair is critical for preserving existing Port revenue. Two proposed capital expenditures go a step farther by generating new income that will offset the Port's investments within twenty years, detailed below. Together, these investments will generate a total \$35.5 million in revenue over the next twenty years after deducting the cost of the capital investments to support operating needs and future capital investments.

Project	Total Capital Investment	20-Year Net Present Value	20-Year Internal Rate of Return	Years to Break Even
Pier 29 Pump Station and Force Main	1,050,000	15,251,988	69%	2
Pier 80 Berth-C Fendering Upgrade	1,500,000	20,250,830	52%	3

NEXT STEPS

We welcome comments, input, and feedback from the Port Commission and the public. To accommodate City deadlines, staff will submit the draft capital budget to the Mayor's Office of Public Policy and Finance and the City's Capital Planning Committee on February 21, 2020 and return to the Port Commission for approval of the budget on February 25, 2020. If the Port Commission requests adjustments at its meeting on February 25th, Port staff will work with the Mayor's Office to incorporate these changes in its budget submission. The Mayor's Office will include the Port's capital budget in the Mayor's Proposed Budget to the Board of Supervisors in May 2020. The Board of Supervisors will review and finalize the FY 2020-21 and FY 2021-22 budgets by July 31, 2020. Staff will update the Port Commission on any major changes that are made to the capital budget subsequent to Port Commission approval.

Additionally, Port staff will return to the Port Commission in April 2020 to present an informational item on the Five-Year Capital Improvement Program. The first two years of that five-year plan will be the FY 2020-21 and FY 2021-22 capital budget.

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