

Five Year Financial Plan

Fiscal Years 2019-20 to 2023-24

INFORMATIONAL PRESENTATION

JANUARY 8, 2019 – ITEM 13A

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Five Year Financial Plan

Schedule

- ✓ Informational Presentation, January 8th
- ✓ Request for Approval, February 12th

Presentation

- ✓ City Outlook
- ✓ Port Financial Overview
- ✓ Base, Low, and High Case Scenarios
- ✓ Strategic Considerations
- ✓ Next Steps



Photo Credit: <http://www.super8sanfrancisco.com/blog/wp-content/uploads/2016/05/ferry-building.jpg>

City Outlook

City Five Year Financial Plan was released on January 4, 2019

Major Assumptions

- Economy is strong, but outlook is tempered
- Employee Benefits have high annual inflation rates
 - ✓ 19% average growth in pension contributions
 - ✓ 6% current and retired employee healthcare
- Employee Salaries and Non-Personnel
 - ✓ Consumer Price Index, 3% average annual growth
 - ✓ Assumes no additional adjustments from labor negotiations

Major Priorities

- Equity & Accountability
- Continuation of current City services
- Address structural issues with employee costs



Port Financial Overview

Base Case

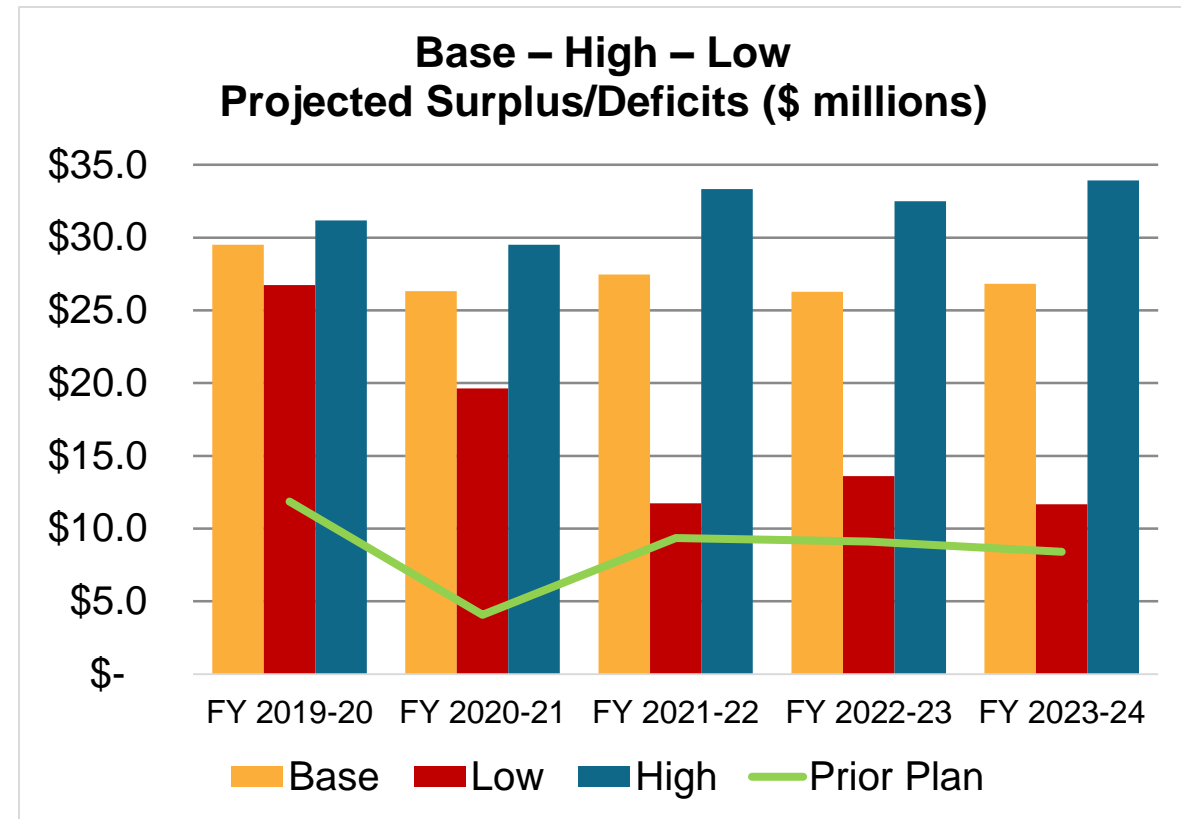
- Citywide personnel inflation assumptions
- CPI for most non-personnel expenses
- Moderate revenue growth (2.5%)
- Progress on leasing, development, and maritime revenue initiatives

Low Case

- Economic downturn slows revenue growth (2.0%)
- Reduced percentage rents
- Limited progress with revenue initiatives

High Case

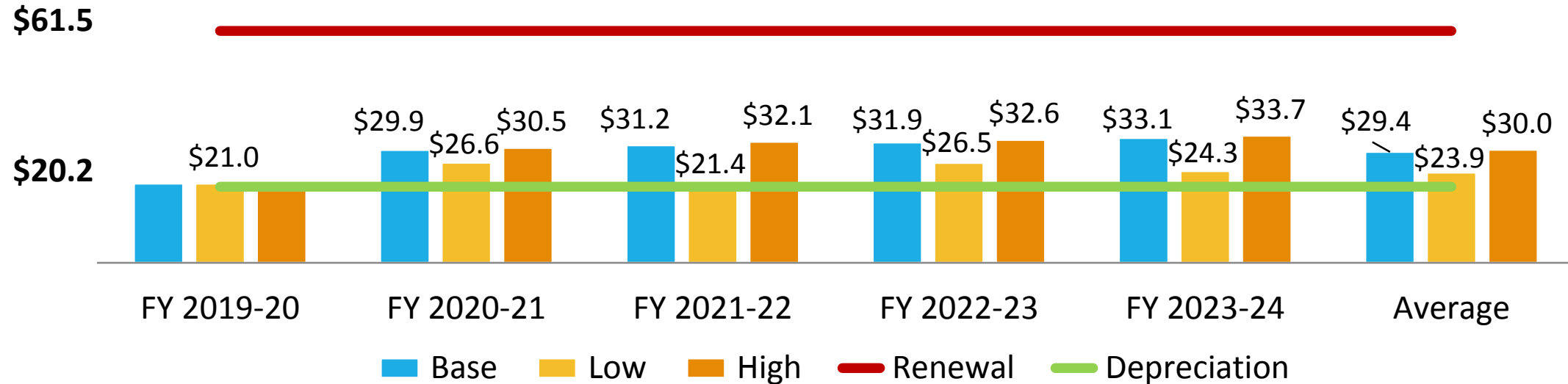
- New leases yield stronger revenue performance (3.0%)
- Significant progress on new leasing/development
- Very strong progress with Cargo and Cruise



Port Financial Overview

Overall, significantly better than prior plans, but structural challenges with Capital remain

Projected Capital Investments Compared to Renewal and Depreciation (\$ Millions)



Base Case: Operating Revenue Growth

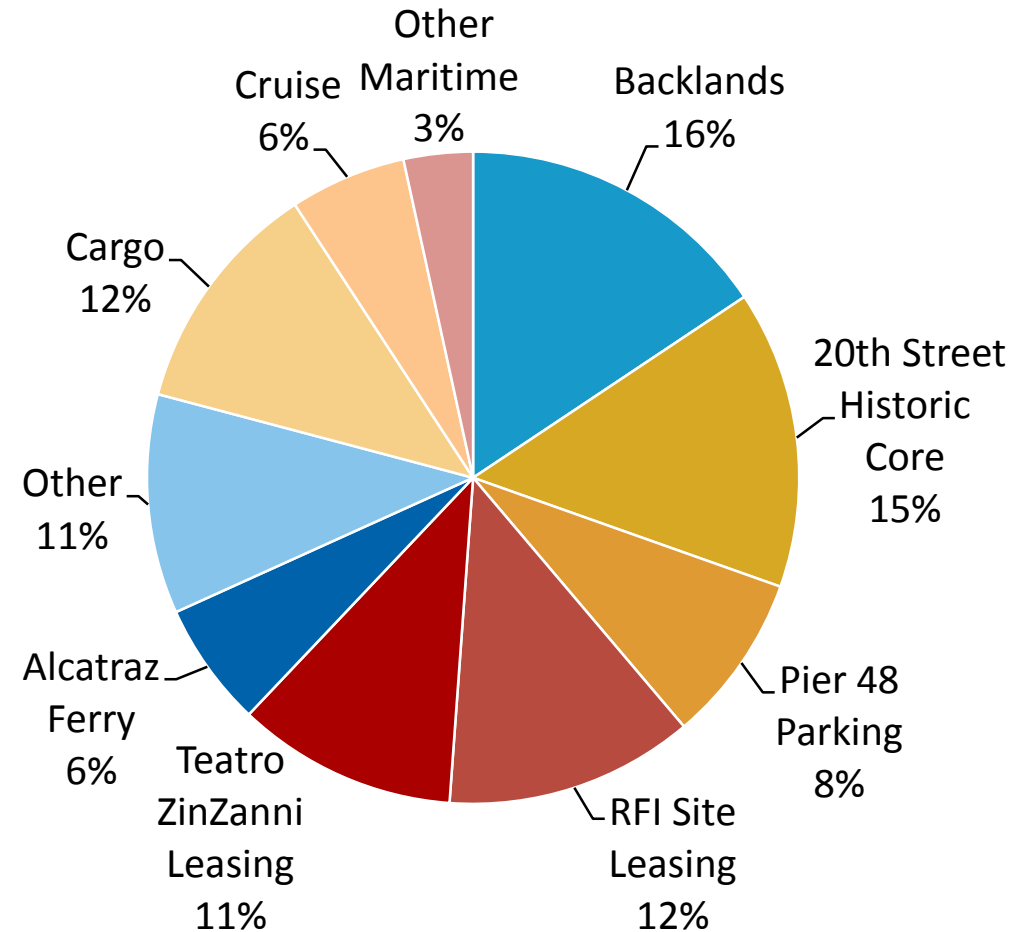
\$125 Million Operating Revenues, FY 2020-21

New Revenue Streams are CRITICAL

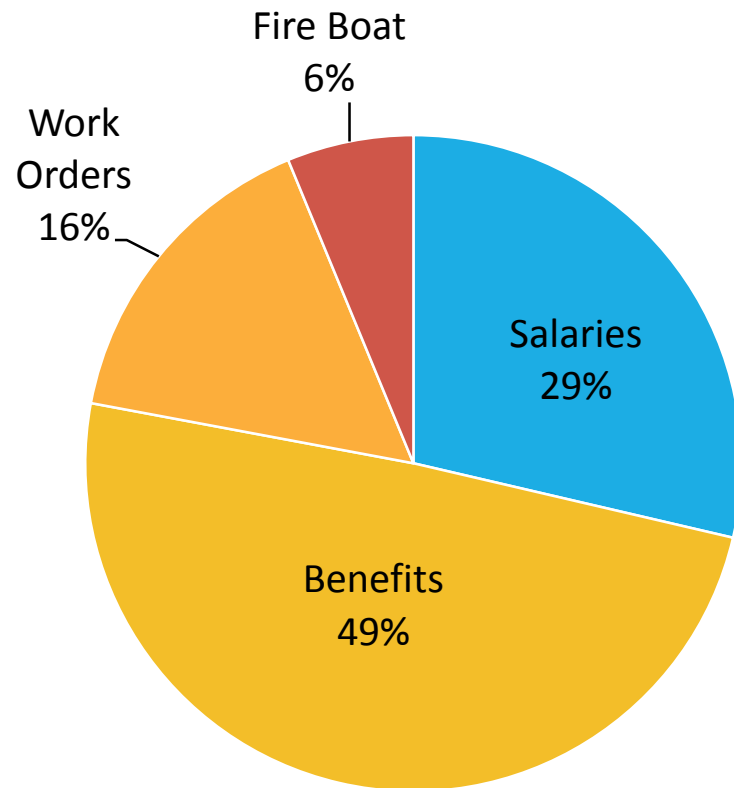
- Development projects
- New leasing opportunities
- Cruise fee increase and new partner
- Cargo expansion at Piers 80-96

Long-term, deliberate actions by Port Commission

- Diverse revenue streams
- Push for highest and best use



Base Case: Operating Expenditure Growth



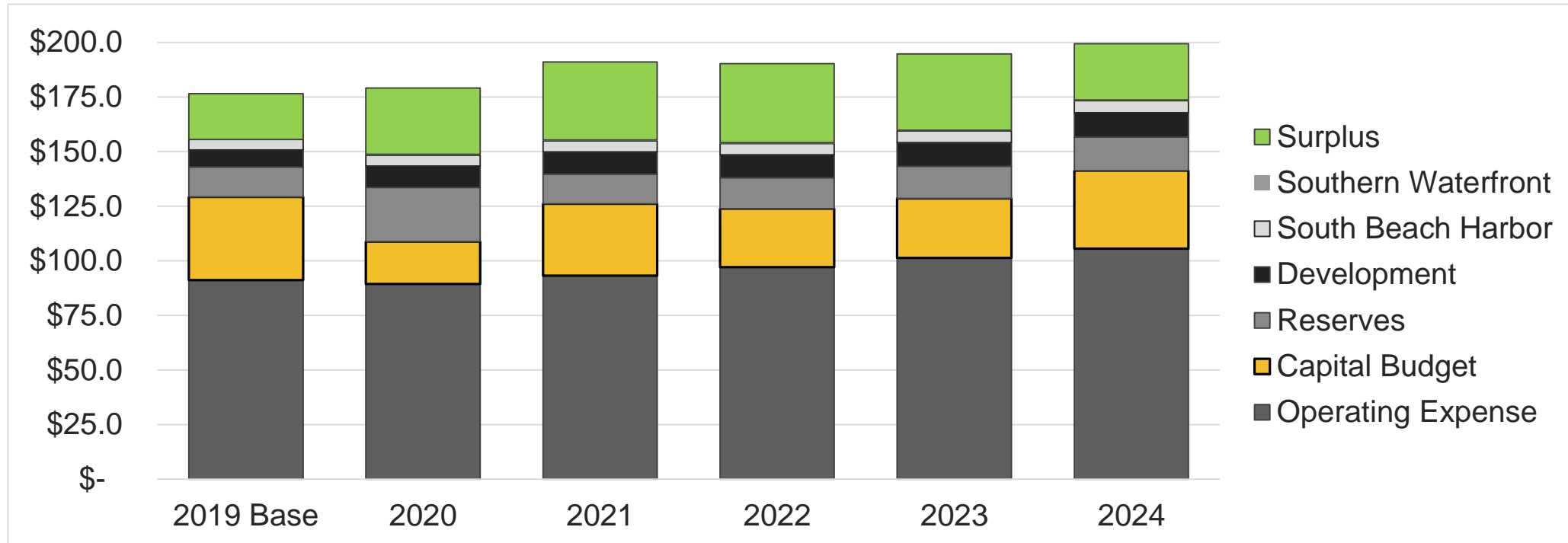
Personnel growth

- ✓ Single greatest driver of cost escalation (78%)
- ✓ Includes one additional position annually to support the Port's mission
- ✓ 92% of Benefits growth due to health and pension

Work Orders and Non-personnel costs

- ✓ 3% average annual growth by CPI
- ✓ Fire Boat is projected to cost \$4.6 million by FY 2023-24 due to personnel costs
- ✓ Non-personnel cost growth is neutral due to high FY 2018-19 budget supporting one-time costs

Base Case: Balancing Uses and Sources



Operating Surpluses are projected each year, supporting \$29.4 million average capital budgets.

Port Initiatives will make the Port reach \$125 million revenues within the five-year forecast.

Low Case: Economic Slowdown

No Projected Deficits

Lower Revenues

- Reduced Percentage Rents
- Slow implementation of leasing
- Slower growth in Cruise and Cargo

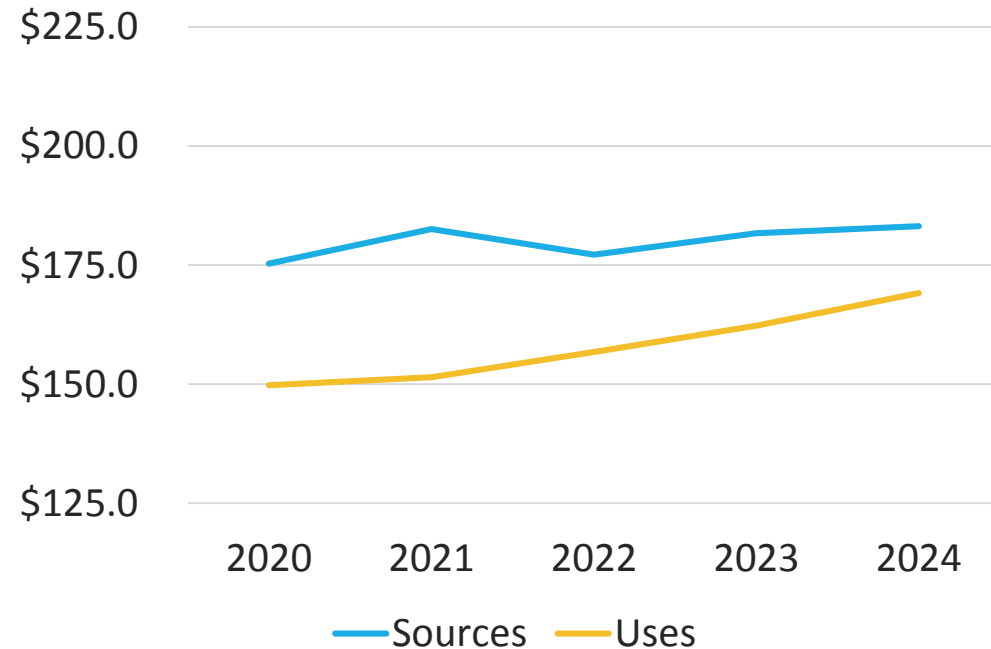
Reduced Spending

- No new positions

Reduced Capital Spending, \$23.9M Average

- Capital Policy is met through designation of operating revenues to capital
- Capital Budget \$27.4 million less overall than Base over forecast period

Projected Budget Surpluses (\$ millions)



High Case: Maximizing Potential

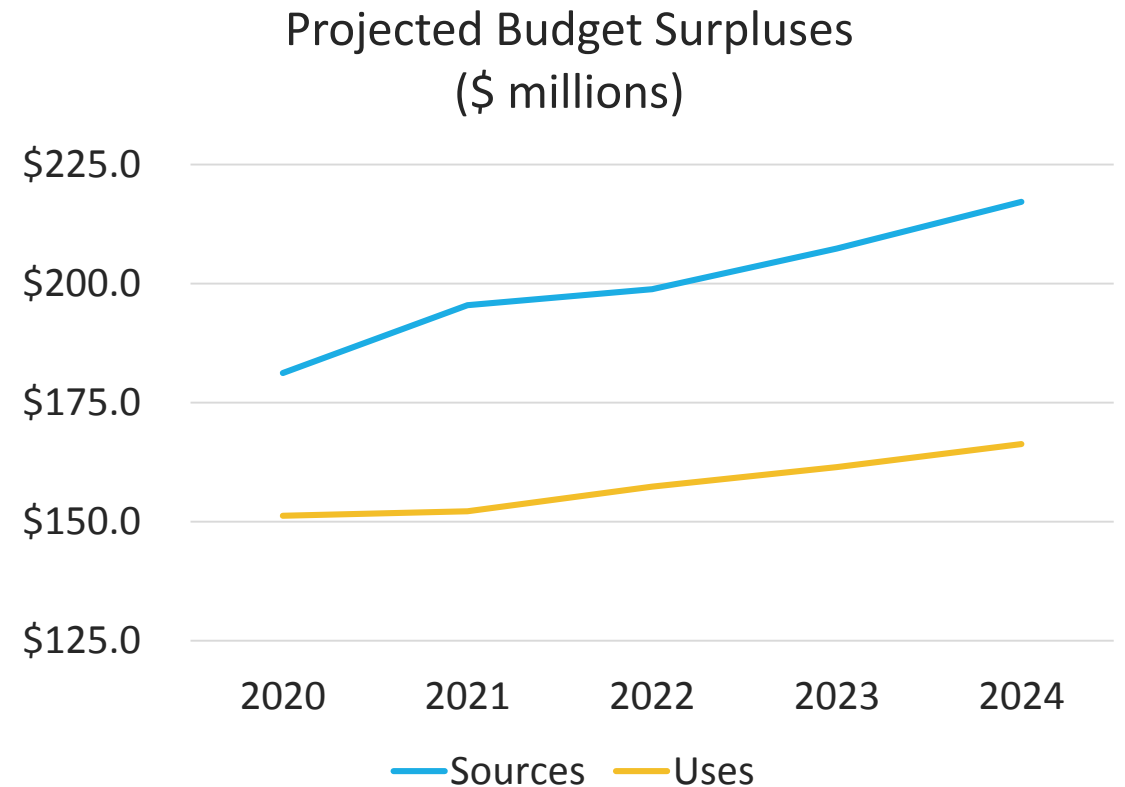
Enhanced Revenues

- Stronger revenue performance from new leases and development projects
- Maximize potential in Maritime operations
 - ✓ Increased cargo yields and new deals at Pier 94
 - ✓ Non-shoreside power ships allowed under CARB

Ongoing Expenditure Controls

- One position per fiscal year to support mission
- Otherwise, investments are in Capital

\$30 Million Average Annual Capital Investments



Strategies: Investment Planning

Continue to Deepen the Revenue Base

- Economic downturn is an ongoing concern
- Long-term initiatives coming to fruition fuel over \$13 million growth in revenues
- Relies on the Port's ability to deliver forecasted capital and development projects for leasing

Focus on Project Delivery and Strategic Investments

- Project Management Office
- Public/Private Partnerships

Leverage Special Use Districts

- Attract private investment with public financing tools
- Improve project feasibility

Continue to Strengthen Fiscal Practices



Thank you



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