

**Annual Report
For
Fiscal Year Ended June 30, 2008**



Port Commission of the City and County of San Francisco

Issued: March 13, 2009

Due: March 27, 2009

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I. Introduction

The Port Commission of the City and County of San Francisco (“Port”) hereby provides its annual disclosure report for the fiscal year ended June 30, 2008 pursuant to the Continuing Disclosure Certificate issued August 12, 2004 related to the Port’s Refunding Revenue Bonds, Series 2004.

II. Refunding Revenue Bonds

<i>Continuing Disclosure Certificate</i>	<i>Issue Name</i>	<i>Original Par Amount</i>	<i>Outstanding Par Amount</i>
August 12, 2004	Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2004 (“Bonds”)	\$19,940,000	\$12,575,000

CUSIP Numbers

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP No.</u>
7/1/2008	1,685,000	797679 AG2
7/1/2008	2,500,000	797679 AD9
7/1/2009	1,820,000	797679 AH0
7/1/2009	2,500,000	797679 AE7

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III. Other Non-Reportable Obligations

<u>Issue Name</u>	<u>Original Par Amount</u>	<u>Balance as of Report Issuance Date</u>	<u>Final Maturity</u>
California Department of Boating & Waterways Loan	\$3,500,000	\$3,014,705	2029

IV. Port of San Francisco, Debt Service Coverage

**PORT OF SAN FRANCISCO
Historic Debt Service Coverage
For Fiscal Years Ended June 30,
(Amounts in Thousands)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues ¹					
Maritime ²	\$12,192	\$11,865	\$11,138	\$11,286	\$11,036
Real Estate & Asset Management	41,955	43,699	45,375	47,308	51,404
Interest Income ³	1,027	1,603	2,951	2,797	2,298
Other Operating Revenue ⁴	<u>2,358</u>	<u>1,945</u>	<u>2,283</u>	<u>2,600</u>	<u>2,059</u>
Total Revenues	\$57,532	\$59,112	\$61,747	\$63,991	\$66,797
Operating Expenses ¹					
Operations & Maintenance ⁵	<u>\$45,424</u>	<u>\$41,210</u>	<u>\$43,637</u>	<u>\$48,571</u>	<u>\$54,441</u>
Total Operating Expenses	\$45,423	\$41,210	\$43,637	\$48,571	\$54,441
Net Revenues	\$12,108	\$17,902	\$18,110	\$15,420	\$12,356
Historic Debt Service	\$5,314	\$4,932	\$3,944	\$4,428	\$4,418
Historic Debt Service Coverage (Times)	2.28	3.63	4.59	3.48	2.80

¹ Determination of revenues and expenses in accordance with the Bond Indenture. Amounts derived from financial reports which have been audited, and adjusted for elements discussed in footnotes 2 to 5.

² In Fiscal Year 2006, excludes \$100,000 EPA grant to reimburse the Port for rent credits given to cruise ship companies for their use of low sulfur fuel.

³ Interest income from funds on deposit with the City Treasurer plus late charges from tenants.

⁴ Excludes \$177,965 in grants for operating activities in Fiscal Year 2004.

⁵ Excludes amortized dredging costs.

V. Top 10 Tenants

TOP 10 PORT TENANTS
Fiscal Year Ending June 30, 2008
(Revenues in Thousands)

Company Name	Revenue¹	Percent of Operating Revenue²	Use	Expiration
China Basin Ball Park Co.	\$3,737	5.8 %	Ballpark Ballpark Parking	12/31/2022 11/15/2009
SFCC Municipal Transportation Agency	3,009	4.7	Office, Storage, (Towed Autos And Other Items), Parking	Various ³
Pier 39 Ltd. Partnership	2,667	4.1	Retail / Entertainment	12/31/2042
Central Parking Systems	2,310	3.6	Parking	4/30/2001 ⁴ 4/30/2007 ⁴
Imperial Parking (U.S.), Inc.	1,966	3.0	Parking	Various ⁵
AMB Property, LLP	1,848	2.9	Office Development	8/1/2049
Hornblower Yachts, Inc.	1,720	2.7	Excursions / Parking	Various ⁶
Hanson Aggregates Mid-Pacific	1,647	2.6	Maritime Terminals (Dry Bulk Cargo)	Various ⁷
Ferry Building Investors, LLC	1,516	2.3	Office / Retail Development	4/9/2067
SF Recycling & Disposal, Inc.	<u>1,416</u>	<u>2.2</u>	Recycling Center	7/31/2023
Total	\$21,836	33.9 %		

¹ Amounts represent tenant billings net of certain revenue credits and allowances and accounting accrual adjustments.

² Operating revenue for the fiscal year ending June 30, 2008 was \$64,498,000.

³ Two leases have continued under holdover provisions. The remaining leases have various expiration dates out to 4/2/2071.

⁴ Interim use in area currently under development negotiations. Two leases have continued under holdover provision.

⁵ One lease has a 4/30/2009 expiration date. The remaining leases have continued under holdover provisions.

⁶ The company's leases have various expiration dates out to 12/31/30.

⁷ The company's leases have various expiration dates out to 2/28/2014.

VI. Major Port Operating Revenues

Major Port Operating Revenues^{1, 2} June 30, 2008

	<u>Number of Agreements</u>		<u>Annualized Revenue³</u>		<u>Square Footage</u>	
Maritime ⁴						
Cargo	14	2.47 %	\$3,843,764	6.56 %	3,363,404	17.62 %
Various Maritime	20	3.53	2,421,744	4.13	1,071,700	5.61
Commercial Fishing	64	11.29	1,793,530	3.06	256,963	1.35
Passenger Cruise	1	0.17	1,296,160	2.21	241,447	1.26
Harbor Services	5	0.88	1,019,565	1.74	190,282	1.00
Ship Repair	2	0.35	1,046,027	1.78	930,354	4.87
Subtotal Maritime	<u>106</u>	<u>18.69 %</u>	<u>\$11,420,790</u>	<u>19.48 %</u>	<u>6,054,150</u>	<u>31.71 %</u>
Real Estate						
Restaurant/Retail	55	9.70 %	\$11,196,792	19.09 %	796,410	4.17 %
Industrial	215	37.92	12,356,769	21.07	5,104,582	26.73
Ground Lease	27	4.76	9,731,019	16.60	5,419,322	28.38
Parking	19	3.35	7,624,176	13.00	1,217,321	6.38
Office – Net	86	15.17	4,607,529	7.86	420,420	2.20
Office – Full Service	59	10.41	1,700,276	2.90	81,463	0.43
Subtotal Real Estate	<u>461</u>	<u>81.31 %</u>	<u>\$47,216,561</u>	<u>80.52 %</u>	<u>13,039,518</u>	<u>68.29 %</u>
Total	567 ²	100.00 %	\$58,637,351	100.00 %	19,093,668	100.00 %

¹ Table only includes revenues derived from tenancy and operating agreements. Not included are revenues from miscellaneous sources.

² Port tenants often have more than one tenancy agreement. The 567 agreements are held by 399 tenants. Of the total, 321 are Real Estate tenants, and 78 are Maritime tenants.

³ Based on current minimum rents as of June 30, 2008 and Fiscal Year 2008 percentage rents in excess of base rent amounts.

⁴ Including traditional user fees within the maritime industry, such as wharfage, dockage and crane rental.

VII. Port of San Francisco Historical Operations and Maintenance Expenses

PORT OF SAN FRANCISCO
Historical Operations & Maintenance Expenses
For Fiscal Year Ending June 30,
(Amounts in Thousands)

	<u>Audited 2004</u>	<u>Audited 2005</u>	<u>Audited 2006</u>	<u>Audited 2007</u>	<u>Audited 2008</u>
Operations & Maintenance					
Personnel Expense	\$19,817	\$19,631	\$21,047	\$24,235	\$28,183
City-Wide Overhead	423	(261) ¹	1,013	1,278	335
Other Current Expenses	1,823	1,906	2,287	2,713	3,048
Professional & Specialized Services	1,704	1,403	1,367	2,066	3,183
Utility Expenses	2,028	1,814	1,829	1,806	2,033
Materials & Supplies	1,143	1,481	1,323	1,510	1,628
Judgments, Claims & Litigation	1,471	267	284	175	290
Other Fixed Charges	2,928	1,600	165	165	165
Office Rent	2,554	2,529	2,645	3,021	3,074
Amortization of Dredging Expense	4,284	2,568	1,256	2,316	1,965
Bad Debt Expense (net of recoveries)	224	986 ²	171	250	337
Charges for Use of City Services	11,174	9,749	11,391	11,184	12,069
Other Operating & Maintenance Exp. (net)	134	113	115	168	96
Total Operations & Maintenance Exp.	<u>\$49,707</u>	<u>\$43,786</u>	<u>\$44,893</u>	<u>\$50,887</u>	<u>\$56,406</u>

¹ The credit balance reported for 2005 is the result of an adjustment made by the City to correct for over billings to the Port by the City in previous years.

² The net increase in bad debt expense for 2005 primarily reflects past due rent owed by Specialty Crushing, a Port tenant. The company filed for bankruptcy in June, 2005, and the debt was written off in January, 2008.

VIII. Audited Financial Statements of the Port Commission, City and County of San Francisco For the Fiscal Year Ended June 30, 2008.

For the Port's Audited Financial Statements for Fiscal Year Ended June 30, 2008, please go to the link titled "2008 Audited Financial Statements" located in the Finance & Administration section of the Port's website at www.sfport.com.

IX. Significant Events

The bonds that are the subject of this annual report are insured by Syncora Guarantee (formerly XL Capital Assurance, Inc.) a wholly owned subsidiary of Syncora Holdings Ltd. (formerly Security Capital Assurance Ltd). XL Capital Assurance changed its name to Syncora on August 4, 2008. Over the past fourteen months, Syncora/XL Capital Assurance has been the subject of numerous downgrades of the financial strength ratings assigned to it by all three of the major credit rating agencies; Standard and Poor's Ratings Services (Standard & Poor's), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch).

On January 24, 2008	Fitch lowered the financial strength rating of XL Capital from AAA to A.
On February 7, 2008	Moody's lowered financial strength rating of XL Capital from Aaa to A3.
On February 25, 2008	Standard & Poor's lowered financial strength rating of XL Capital from AAA to A-.

These ratings action had the effect of lowering the rating on the outstanding bonds maturing July 1, 2008 and July 1, 2009 to those of the underlying ratings; A in the case of Fitch, A1 in the case of Moody's, and A- in the case of Standard and Poor's. These ratings represent the credit ratings assigned to the bonds by the respective rating agencies without taking into consideration the benefit provided by bond insurance. Subsequent downgrades to the financial strength ratings of Syncora/XL Capital Assurance by all three rating agencies had no effect on the credit ratings on the bonds, since the underlying credit ratings assigned to them remained unchanged up through the issue date of this Annual Report.

No other significant events as defined in Section 5 of the Continuing Disclosure Certificate have occurred during the period from the date of issuance of the bonds through the issue date of this Annual Report.

X. Other Matters

In November 2008, the voters of San Francisco approved Proposition D, a measure that provides an option for the City's Board of Supervisors to capture 75% of the payroll and hotel tax increment generated by the future Pier 70 development to help fund the cost of Pier 70's public infrastructure and improvements. As a precondition to accessing this funding, the Port must demonstrate that its lease revenues and property tax increment are insufficient to fund all of the costs of the public improvements. Proposition D also allows the City's Board of Supervisors to waive the final approval of the Pier 70 lease if it approves the Pier 70 development plan at the outset of the project(s). This will facilitate the development of Pier 70 by reducing the entitlement risk associated with the number of discretionary approvals that Port development projects must currently secure.

In February 2008, the voters of San Francisco approved Proposition A, a bond measure that provides \$185.0 million for the improvement of San Francisco's neighborhood parks. The bond measure includes \$33.5 million for the development of two parks, and a series of open spaces known as the Blue Greenway; all of which are currently in the design or planning stage.

In December 2007 Fitch Ratings and Standard and Poor's completed reviews of the underlying credit ratings assigned to the Port's outstanding Revenue Refunding Bonds, Series 2004, and both agencies have affirmed their ratings: A, with Stable outlook, in the case of Fitch; and A- with a Stable outlook, in the case of Standard and Poor's. The current underlying credit rating assigned to the Port's outstanding bonds by Moody's Investor Services is A1. The Port is not aware that the agency is conducting a review of the rating at this time.

On April 25, 2006 the San Francisco Port Commission adopted a ten-year capital plan for the Port. The purpose of the plan is to identify the major maintenance and capital improvement needs of the Port's facilities, prioritize capital projects, and identify potential funding sources. The maintenance and improvements will bring the facilities up to current building code standards, including seismic requirements. An annual update to the plan is scheduled to be presented to the Port Commission for adoption at its February 24, 2009 meeting. The 2009 update identifies \$2.0 billion in improvements, approximately \$650 million of which are expected to be funded through a combination of the Port's operating budget, future Port revenue bonds, Port tenants, public/private development projects, and Infrastructure Financing District bonds. No funding is identified for the remaining \$1.35 billion. The capital plan document is available on the Port's website at www.sfport.com under the Finance & Administration section.

In September 2005 Governor Arnold Schwarzenegger signed into law Senate Bill No. 1085 which amended the California Government Code to authorize public trust grantees to form infrastructure financing districts. The infrastructure district law allows public agencies to finance public infrastructure improvements by capturing and bonding against the tax increment generated by the district after it is created. The legislative amendment made changes to infrastructure district law that permits the Port to apply this law to the Port area. A multi-step process must be followed to establish an infrastructure financing district at the Port. These steps include defining the boundaries of the district, developing an infrastructure plan, and obtaining legislative approval from the City's Board of Supervisors. The Port intends to implement multiple infrastructure financing districts in coordination with the redevelopment and reuse of its property. No such districts have been established yet by the Port or the City's Board of Supervisors.

This annual report is provided solely for purposes of the Continuing Disclosure Agreement and the information contained herein speaks only as of the dates referenced. The filing of this Annual Report does not constitute or imply any representation: (i) that the information provided is material to investors, (ii) regarding any other financial or operating information about the Port or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relates (other than that contained in this Annual Report), or that no other information exists, which may have a bearing on the Port's financial condition, the security of the bonds, or an investor's decision to buy, sell, or hold any of the Bonds. An explanation of the significance of the credit ratings assigned to the subject bonds may be obtained from the ratings agencies at the following addresses:

In the Case of Moody's
Moody's Investor Services
7 World Trade Center
250 Greenwich Street
New York, NY 10007

In the Case of Fitch
Fitch Ratings
One State Street Plaza
New York, NY 10004

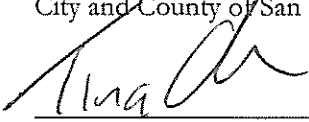
In the case of Standard & Poor's
Standard and Poor's Ratings Services
55 Water Street
New York, NY 10041

The ratings reflect only the views of the relevant credit rating agency. Generally, the agencies base their ratings on such information and materials and on investigations, studies, and assumptions made by the agencies themselves. Any downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the subject bonds.

The information contained in this Annual Report has been obtained from sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about the future financial performance of the Port. The Port has no obligation to update the information provided herein except as provided in the Continuing Disclosure Agreement.

For questions or clarifications with respect to this Annual Report, please contact Lawrence Brown at (415) 274-0446.

Port Commission of the
City and County of San Francisco

A handwritten signature in black ink, appearing to read "Tina Olson", written over a horizontal line.

Tina Olson
Deputy Director, Finance and Administration

Date March 13, 2009