



SAN FRANCISCO PORT COMMISSION

**FEBRUARY 10, 2026
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

**HON. GAIL GILMAN, PRESIDENT
HON. STEPHEN ENGBLOM, VICE PRESIDENT
HON. WILLIE ADAMS, COMMISSIONER
HON. STEVEN LEE, COMMISSIONER
HON. KEN MCNEELY, COMMISSIONER**

**MICHAEL MARTIN, ACTING EXECUTIVE DIRECTOR
JENICA LIU, COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO

PORT COMMISSION

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1. CALL TO ORDER / ROLL CALL

Port Commission President Gail Gilman called the meeting to order at 3:15 p.m. The following Commissioners were present: Gail Gilman, Stephen Engblom, Willie Adams, and Steven Lee.

Ken McNeely was absent. Steven Lee left early at 4:05 p.m.

2. APPROVAL OF MINUTES – JANUARY 27, 2026

ACTION: Commissioner Adams moved approval of the minutes. Commissioner Lee seconded the motion. The minutes were approved unanimously.

3. RAMAYTUSH OHLONE LAND ACKNOWLEDGEMENT

The Commission Secretary read the Ramaytush Ohlone Land Acknowledgment.

4. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person responsible for the ringing of or use of a cell phone or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make public comments on each agenda item unless the Port Commission adopts a shorter period on any item. Public comment must be in respect to the current agenda item. In-person public comment may be made at the speaker podium in the hearing room during the relevant agenda item. For remote public comment, instructions are on the first page of the agenda. During public comment, dial *3 to be added to the queue. An audio prompt will signal when it is your turn to speak.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction that is not an agenda item. No Port Commission action can be taken on any matter raised other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

No Public Comment on Items Not Listed on the Agenda.

6. EXECUTIVE

A. Acting Executive Director's Report

- **Strategic Plan**
 - a. **Exceptional Service**
 - b. **Economic Growth**
 - c. **Evolve**
 - d. **Resilience**
 - e. **Sustainability**
 - f. **Equity**
 - g. **Public Engagement**

Acting Director Martin: Good afternoon, President Gilman, Vice President Engblom, commissioners, Port staff and members of the public. I'm Michael Martin, the acting executive director of the Port of San Francisco. Today's acting executive director's report will have a bit of a unique hybrid format.

We'll start off with a few of our normal ED report notes. But then, at the end of the presentation, I'd like to go through our strategic plan for the years 2026 to 2030. But before we take that sort of five-year look ahead, I wanted to talk very much in the now here in February 2026.

So looking ahead in February, two very significant markers for this month, this February marks the 100th anniversary of Black History Month, a significant milestone. Throughout the month, staff will have opportunities to celebrate and reflect on the contributions, legacy and resilience of black Americans in U.S. history through a film screening and facilitated discussion as well as the ceremonial lighting of the Pier 43 arch.

These moments invite reflection, learning and connection and underscore the importance of coming together as a community. February also brings Lunar New Year, a celebration observed by many Asian-American and Pacific Islander communities. Lunar New Year is a time of renewal, family and hope. And it offers an opportunity to recognize the rich cultural traditions and contributions of these communities to our city and our waterfront.

The Port remains committed to fostering an inclusive environment that promotes mutual respect and reflects the communities we serve. So these sort of

twin commemorations here in February are very important to us. I encourage us all to take time this month to learn, reflect and celebrate these important cultural occasions together.

But from looking ahead, I want to look back to the week we just experienced here on the waterfront with the Super Bowl. I hope everybody enjoyed it. I know I did. I cannot express how much energy I felt, especially those three days of Thursday, Friday and Saturday leading up to the game.

As you know, the Port served as a backdrop for a range of public and private events and activations. Public events included three high-energy concerts at Pier 80, the Ferry Building light shows and entertainment, giveaways and programming at Pier 39 and family-friendly activities and music at Fisherman's Wharf sponsored by the Fisherman's Wharf CBD.

Private events included corporate-sponsored concerts at Pier 40 and at Pier 29 featuring artists as varied as Shaboozey, Oliva Dean, Green Day and Counting Crows. But that doesn't really describe everything that happened here last week.

I can't express how much energy. And every day felt a little different. And it was just so great to see how ready the Port was. That readiness was the result of weeks of preparation, extensive coordination with the city, with the NFL, with the Bay Area Host Committee, with our tenants, with event organizers and a tremendous amount of internal teamwork to be able, in that sort of crazy fast-moving environment, to speak clearly and to give people the clear way to get to where they wanted to go.

It was truly a collaborative effort across the city. And I think we're all looking back with wonder about how well it went. I want to extend special thanks to Port staff from the maintenance, maritime, security, engineering and real estate teams, who worked long hours, interfaced with just about everybody you can think of across the city and really created a safe and successful event that I think the city should be very proud of.

You know, I think, as I walked the waterfront and went to a bunch of the things I already described, you know, it's amazing to think that all of that sort of unique stuff descended upon us at the same time as I looked up and I realized we had a double header of cruise calls including the Queen Mary 2, like one of the largest vessels that ever comes here, hasn't come here in years. They loved it, and they want to come back.

And it just shows like the Port can do more than just walk and chew gum. You know, we can do eight other things too. And I'm just super proud to be part of this team that did that.

I want to highlight one other thing that we debuted last week. And that's our new overnight cleaning crew. So our maintenance division developed a strategy to have an overnight cleaning crew. It took us a lot of time to get through the city's hiring slowdown to get the people in to staff that. And we debuted it last Sunday night all through the week.

And to me, I was just so gratified to see the results because that allowed us to keep a clean waterfront and have our crews respond to hotspots during the day. And it really was just this great shakedown cruise, to use an overused maritime metaphor, to something that we think is just going to lift the level of the waterfront for days, weeks and months to come.

So I definitely want to thank Tim Felton and the maintenance division for implementing that in such a successful way at a very impactful time on the waterfront.

So to turn to the now to what are we doing for the next five years -- and so if I could have the slides, please. So we do this every five years. The last time we did it in 2021, things looked a lot different. But interestingly, in looking back at the last plan and this plan, there's some significant tent poles that really remain the same.

But as we've learned more about where the city is and what the city needs and what the Port needs, I think we've adjusted some of our goals and updated them in a way that we think will really hold together and give us a direction for the work that we want to do with you all on the commission and with the public.

So the strategic plan guides the Port's partnerships, activities and stewardship efforts over the next five years. It's our way to broadcast our goals. We have a lot of action plans behind that that we keep at the staff level. And we'll use those to move tactically to try to achieve the goals.

But ultimately, the strategic plan lays out there what we're trying to get to. It's informed by all of the things that really form what the Port is right now in terms of our capital plan, the waterfront plan, the Burton Act, what the city is doing, what the mayor is leading us to, what the Board of Supervisors is looking for.

And we will use this plan to execute actions, allocate resources and communicate. You know, what is it the Port's trying to do? It really is valuable to us for the people to know what we're trying to do and why we're trying to do it.

So the plan starts out with two things, a mission and a vision. As we looked at those, we realized those we really want to keep the same. So these are the same from the last strategic plan. So our mission: the Port manages the waterfront as the gateway to a world-class city and advances environmentally and financially sustainable maritime, recreational and economic opportunities to serve San Francisco, the region and California.

I think this is super significant to us and sort of how we view ourselves. We are not one of those monolithic cargo ports. We're a diverse set of uses. We're what people call a boutique port. But that is a strength. We have so many ways we can advance the ball on so many different levels where, if one sector isn't moving, another sector can lift it up.

And I also like the way this mission really highlights how we have many stakeholders. We are definitely a key element here in the city. But we also serve the people of the state, the people of the region and visitors. And so that's really important for us to keep in mind as we try to make sure all our user groups get what they want out of the Port.

Our vision statement is very concise. But again, it stayed the same. Deliver vibrant and diverse waterfront experiences that enrich the city and San Francisco Bay. There again is that diversity of how we use our seven-and-a-half miles of waterfront and how that has changed over the course of the city's history to sort of ebb and flow with what the city needs at that time in its development.

Right now is a very unique time in the city's development. And we think the Port is really positioned to push the ball forward for the entire city. So as I go through the goals, each one is formatted the same way. So there's a goal statement or the name of the goal, then a concise goal statement. And then, there's a number of bullets underneath with the specific goals that sort of nest in that category.

So this first strategic plan goal, exceptional service, this did not appear in the prior strategic plan. But it is an assembly of items from that same plan and from the new planning process that we think is super important because of where the Port is in its history.

And the reason for that is I think a word that you're going to hear a lot from me over the course of this presentation but going forward in our discussions is partnership. As we're talking about the budget later today, I think we'll talk about - the Port has significant resources but also significant demands on those resources.

And to step into what the city needs us to be and what we want to be, we have to expand our reach through the help of partnerships. That could be with our tenants, public-private partnerships with development partners, the community volunteers that want to help us clean our parks. You name it.

But ultimately, we want to be a good partner so that people come here and help us work together to reach our shared goals and enlarge our impact. And ultimately, how are you a good partner? It's by being dependable. It's by delivering exceptional service, being clear about what you're doing and what you need but also being an organization that delivers.

And so moving on to the goal statements underneath this, you can see provides safe, clean streets, inviting parks and well-managed waterfront assets. We've talked about a clean, safe and vibrant waterfront ever since the depths of the pandemic. That has been a lodestar for us, and it will continue to be.

We want to modernize our systems and procedures to improve our effectiveness. This is a very behind-the-scenes thing. But we see our antiquated systems as holding us back, that, when someone has to spend time tracking down a piece of data or a document instead of being able to lay hands on it right away, that takes away from the time they can be working on the strategy, on the goals, on talking with the community.

And so we want to improve those systems to give our team the tools they need to be the best they can be. We want to -- as the last bullet says, that's the partnership right there. Like we want to be expanding what we do through our partnerships And there's a lot of people out there that want to partner with us. And we want to take advantage of that really great situation we have. So that's that goal.

Now, we go to a goal that was very much evident in the prior strategic plan although we called it a little differently. This goal is called is called economic growth. We want to grow the portfolio and expand partnerships to contribute to San Francisco's long-term prosperity.

There's a number of these items that you've heard a lot about and that we'll be coming back to you in the coming months to talk about. But we think it's a really great time to state them very clearly as things we want to achieve. We want to invest in our maritime and other facilities and public spaces and maximize our long-term leasing opportunity to support diverse uses.

So as we talk about our facility conditions and our capital plan, that's where we're manifesting this alongside all of the partnerships we really want to drive to get private capital in to help with what we're doing, to get grants in to help with what we're doing, other people's dollars to lift the Port up.

We want to expand our activation, arts and culture. We're seeing that in spades. We saw that all week last week. And it was amazing the way people want to get in to our sheds and experience them and bring their creativity to them. It's a challenge with the way these sheds are currently dealt with under the code.

But like we're finding ways to do that. And we've got to keep pushing that envelope to find ways to do that. Fisherman's Wharf Forward -- we've talked a lot with you about. You know, in the past, the Port was not an investor in its property. We sort of set the stage for private investment to create places and to really be that creative juice.

This is a point in time in Fisherman's Wharf's history where we saw the need for affirmative investment to catalyze the new generation of Fisherman's Wharf. So we're super excited about the short-term investment in the new plaza and the long-term conversation we're getting going there so that we can enhance the lagoon, enhance the fishing industry, create seismic and flood safety and really create another reason for people to come back to this very venerable, iconic neighborhood.

Housing -- it's a huge part of our portfolio. And I'm super proud of that considering there are very few public trust entities in California that have housing. We've found state legislation to be able to do this on our property. And we want to see Mission Rock, Pier 70 and Seawall Lot 330 all become ways for the city to deliver on more housing supply and make sure that people have a place to live in San Francisco.

In addition, that brings more foot traffic to our property and a virtuous, beneficial set of customers for our arts and entertainment operators, our retail operators. So there's so much wrapped into getting that housing development built.

We want to talk to you in the coming months about moving forward on our effort to establish a secondary electrified cruise terminal at Pier 80. We think that's a huge growth industry for our maritime business but also very important as the city continues to try to grow tourism to make up for the things that haven't come back since the pandemic.

We're going to be coming to talk to you about a blue economy incubator program. We really want to partner with these entrepreneurs and small firms that have big ideas but don't quite have the resources yet. So they can get a foothold on Port property. And when their idea hits, they can grow that foothold to benefit us, to benefit their organizations and to benefit the environment.

And despite the fact that the federal pendulum has swung away from offshore wind, we think it's coming back. We think the world needs renewables to meet the growing energy demands of a growing population. And we think we're really well situated to support the state in its effort.

And so we are not standing by and saying, well, that didn't work. We're going to find new ways to position our facilities to be important in that very important initiative for the state.

The next strategic plan goal we call evolve because we see the Port as always evolving. It has evolved ever since the first people set foot here and the first people established a city here for eventually becoming San Francisco. The Port has never stopped changing.

And so rather than wanting it to freeze in this wonderful place and freeze it in amber, we want to ride the evolution and improve it, use those forces to improve the Port. So the goal statement here: enhance the waterfront experience, and adapt the Port to be an equitable, accessible, economically successful destination that supports San Francisco and the region.

So again, partnership, governmental agencies, the private sector, Port tenants -- what can we do to bring new activities, new ideas, new ways for people to enjoy the waterfront of the Port?

We want to find ways to use those same partners to help us adapt our historic facilities to give them another generation where work happens, where people can enjoy them, where we can sort of nod to our history but also nod to what is great about us being able to refurbish and revitalize and rehabilitate these buildings, which you see in this building here, you see at the Orton Historic Core project, you see in our offices at Pier 1.

We want to find a way to do that with as many places as possible so that we can really not only nod to our history but show that we can evolve and improve from it. We want to coordinate to really bring access and transit to the waterfront. We think especially water transit. We love our partnership with SF Bay Ferry on the EPA Clean Ports grant to bring the nation's first zero-emission ferry network to our property.

And we want to see more because we realize, especially this last week, sometimes it's hard to get around the waterfront. It was a bit gridlocked on the landside. And to have more ways for people to travel by water and enjoy the waterside, we think that's a huge benefit to us. And we'll be continuing to talk to you about ways we can catalyze that.

We want to enhance our parks and open spaces. They've been a huge driver of our recovery from the pandemic as people came back to the Port when they were dying to get out of their homes. We're continuing to open great open spaces. And right now, as we are enhancing them with things like Art Loop portside, we think there's even more reasons for people to come down to waterfront. And we think these are assets that we can really build from.

In the southern waterfront, which is a place that doesn't have as much private capital to sort of negotiate for public benefits, we've taken the step of setting aside lease revenues from leases in that area so that the Port can be an affirmative investor itself in things to beautify the waterfront.

And we want to make sure we continue these investments in an impactful way to improve the public realm and sort of bring that visitor attention down in that area, so it's not just a place of work, but it's also a place where people can really enjoy the Bay, as they do in the northern waterfront.

And we want to continue to maintain our financial solvency. We're going to talk to you a lot about revenue generation ideas in the coming days and months as well as in this particular set of presentations today. But grants -- I really want to pause on that for a moment.

We built a big muscle in obtaining state and federal grants during the pandemic. And we've been super fortunate from that because it really allowed us to not only survive the pandemic, but we're in the process of delivering so many capital renewals with those dollars that will be delivered over the next two years that we'll talk about a little later in today's meeting.

That has really set us on a positive path that we want to stay with. And so we want to continue to build from that, to bring in government money, to bring in state and federal dollars so that we can augment what we make and have more of an impact here on Port property.

The next strategic plan goal is resilience. This is one that, it won't surprise you, has been consistent from the last plan to this one. The goal statement is protect people, San Francisco neighborhoods and critical infrastructure from flooding, seismic risk and climate change.

I think the real foundational effort in the resilience program right now is achieving congressional action on our recommended plan through our work with the Army Corps of Engineers, who are striving super hard to do that this year. In fact, our government affairs manager and our director of resilience are both in D.C. right now having very important meetings towards that goal.

But at the same time, we know we are also moving forward on projects that address urgent flood and seismic risks in the near term, sort of not the multi-decade full flood study but knowing that Prop A was also looking at how can we do things in the near term really around the seismic risks in particular.

So we're not just waiting around for the flood study to achieve that. But we're developing more projects to get shovel ready in the coming months and years. We want to maximize opportunities for engineering with nature. We're super proud of our living seawall pilot. And we think there's lots of other opportunities to redefine the water's edge in many places and create a more natural shoreline that we think can help with our resilience effort.

Shown here, we want to advance that federal partnership. We want to continue execution of long-term program management and delivery strategies. I want to thank you for approving the new program management contract. I was very pleased to see that. That is up for approval today at the Board of Supervisors with positive recommendation from committee. So that's a key step forward in our tools that we have to advance the program.

And then, we want to be adaptive. We want to be smart and not just think we've locked in to something. We want to see how sea-level rise is progressing so that we don't over invest but we don't also fall behind from the challenges that arise.

The next strategic plan goal is sustainability. The goal statement is: to combat climate change, protect San Francisco Bay and to improve waterfront indies and the quality of life for people. You know, we have our EPA Clean Ports grant that is very much a support in moving to zero-emissions travel.

But we think there's a lot of other things we can do. We want to transition the Port, our own fleet, to zero-emission vehicles by 2030. We're studying how we can spur a transformation to zero-emission trucking down at our maritime terminals. We want to improve water quality and Bay health to support all the things that bring people to the Bay, recreation, maritime activity, fishing.

We want to enhance biodiversity, environmental compliance, and we want to support innovation, again coming back to the blue economy incubator. We think we're really well positioned for people that want to have that land-water interface in the work they're doing with their innovation to support that. And so we want to find better ways to bring them to Port property.

The next strategic plan goal is equity. The goal statement is: strengthen equity, access and opportunity across Port programs, spaces and the organization workforce to ensure the waterfront serves and reflects all San Franciscans.

I mentioned the pendulum during the offshore wind part of my comments. There was a pendulum on equity as well over the past year with the new federal administration. But we, at the Port, reaffirm that equity is important to us both externally and internally.

We really want to be there for what the community needs in terms of business opportunities, economic growth opportunities, job opportunities. We've done a really focused effort to bring internship and workforce development, so we can get people into these careers on the water and near the water.

We think that is super critical for what the Port is delivering. It's not just enough to deliver a new resilient line of defense. But we want that money to go to local small businesses and to local workers so that they can have better lives behind that line of defense. And we think we're well positioned to do that.

Internally, I want to say personally this is one of the biggest things for me as acting executive director is -- we're not a large organization of people. But we cover a lot of property. And we have a lot of functions. And it is hard on us when we lose staff because it takes a while to bring them back. And we don't have a deep bench.

And so ultimately, what we need to be is an employer of choice, that people want to be here, that people see us as a place where they can belong, where they can grow their career. So internal promotion is important. Being culturally competent and understanding where people come from is really important.

But obviously, one of the things we want to do is have teamwork and achievement. So I think we've really -- I tried to model that. And I think we've really shown that in the way we've been able to recruit over the past year. And it's something we need to keep focused on as one of our goals because we can't let that go. We can't fall behind on what our workforce is able to achieve.

The final strategic plan goal is public engagement. And it is not listed as final for any substantive reason. It is super important. So the goal statement: uplift community partnership to support an exceptional, welcoming and inclusive waterfront.

It is critical for us to communicate. Having been someone that sort of observed the Port from afar before I came to work for the Port in 2017, there were times when the Port was a good communicator. And there were times when it wasn't. And the times when it wasn't, it was just so self-defeating. And it tripped up many of the good things the Port wanted to do.

And I've prided us and I think we've all been proud of the fact that we are very much engaged with our advisory groups, with the stakeholders that come here to your meetings, with the public in general. And we think it only strengthens our work to be able to share it in a way that the public understands, the public understands why we're doing things and to be able to course correct when we find that we're not right.

We can admit mistakes and say we're going in a different direction. But it's only when you have an engagement that is repeated and ongoing and trusting on both sides. And you can only build that through attention and effort. So I really appreciate all of the Port staff. And this isn't just our communications team. It is absolutely every division working hard to be clear about what we're doing with the public and being proud of that.

And then, we're also doing things about trying to find different ways to meet people where they are. I highly recommend people subscribe to our Instagram feed. We're growing a lot of follows. And I think it's a great way for us to be more accessible about the great work we do here.

So we're just trying to find more ways for people to understand who we are and what we're about. And I think public engagement is the path to do that and the path to success for so many of the things we're trying to achieve.

So I'm sorry for the speed read there. But I think it was a way to sort of formulate exactly how we came to here. This was the result of several months of work with Port staff. And I really want to thank the Port senior team that really dug in together to try to think hard about where we wanted to change but what we wanted to keep consistent.

And ultimately, this is something we'll post to the public. We'll share with our advisory groups and really welcome it to be a spur for more conversation. But ultimately, you know, these are the goals we're working towards. And we're very much appreciative of the chance to do so. And I'm looking forward to your comments. That concludes my report.

President Gilman: Thank you, Mike. So now, I'll ask if there's any public comment in the room on the executive director's report. Any public comment in the room? Okay. Jenica, is there any public comment on the phone on the director's report?

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Lee: Always the first -- great. Very thorough report. I'm glad it came out now because this is a -- it's amazing how much you've done in a month. You probably already had this already in the can. But it just shows that you know every stick of wood on this Port, which is very helpful because, now that we're going into 2026 and everything that you said, it's almost like, you know -- before the pandemic, Port was just a revenue-driven thing. Money was coming left and right.

When COVID hit, now the Port became a small business even though it wasn't really a small business. But the mindset when I came aboard here was to change everybody's mindset that now we're an opportunity port, not so much a revenue-driven port, especially when we have to make our own money to pay for things.

And like I said, day one, communication was a little lax. And now, we've improved it so much that we're getting so much attention. And I witnessed the 3:00 cleanup because I came here to pick up my package, Jenica, [laughs] and couldn't find it. But anyway, the Port was super clean.

It was Saturday night. I mean, I just got off work. I had to come pick up my packet. And I couldn't believe how clean the sidewalks -- and everything was being put away. So that was amazing. So I witnessed that.

The thing is -- and we all know it -- Super Bowl, basketball, anything that's -- you know, a visiting team is here. The Port is always on the video. So we have

to keep it clean. We have to send the message that San Francisco is clean. This doom-loop thing is ridiculous.

It shows to the people that did respond at all the interviews on the Super Bowl that -- they said they don't understand why we're getting bad publicity when they come and they know it's clean and safe. Sure, everybody has their pockets. And we do, like every other city.

But the Port and the staff -- what little staff we have -- is doing such a good job. And I'm hoping City Hall recognizes that because, look, I came -- I mean, on the inner part for the entertainment, we had to rebuild that. But this Port has come so far in four years. I'm really glad that, at least right now, we have everything that we need to know how to move forward.

And I'm just -- you know, like you said, you want the staff to want to come to work and have fun at the Port and do a great job. And when they open the door and see how clean it is, that's the pride of ownership. And that's why I've been an entrepreneur for so long is because it's the hardest work and probably the less pay for the amount of hours you put in.

But when you open the doors and you hear somebody say thank you, that's the biggest reward ever. And I think the Port staff really shows that. And I think that's why they stay here so long is because they can see the results. So I just hope we keep this going. I'm here to help, of course.

And I mean, there's so much opportunity on the south side. You know, I come up with a lot of crazy things. We probably can't afford it. But hey, I'm here as -- to help anchor that and help the Port staff. So great report, Mike. And thank you so much.

President Gilman: Thank you, Commissioner. Commissioner Adams?

Commissioner Adams: Mike, stellar report. You know, I think you said something. And I think this is for you and for the Port staff. You've been doing this for a long time. But you punch above your weight. You have to. You have no choice.

And during the Super Bowl and what you've been doing, you're meeting the moment. And that's what we have to do. Sometime, you have a team, and you got what you want to get but good coaching. We kind of saw that in the Super Bowl. Right.

And people are hired to produce. And you guys have been producing. But I will also say that we have a new energy in this city and in this Port. It's contagious. And leadership starts at the top. And one thing that I have seen in my 14 years here and the 20-something years I've lived in San Francisco,

starting with our mayor, I haven't seen a mayor since Willie Brown that's out on the ground like this.

I see him everywhere. And I see it in you, Mike. I see that energy. It's contagious. The staff gets excited when they see their leader excited and energetic. Good energy is positive. It's something that's really contagious. I think that, for so long, because -- Mike, you said it about being a boutique port. It's a strength for us.

We're not trying to be like any other Port. We've got to play to our strengths and play our game. We don't care about what they do. I mean, we will work with them. But we've got to do what we do best. And what's happening here is we know how to win here. And we know how to get things done.

The record speaks for itself, the accomplishments that the Port of San Francisco has done. And even though, when you've been understaffed, the focus, the clarity of the mission -- and this was just laid out. And like I said, the Super Bowl -- what a success. What a success.

What the pundits were saying about San Francisco years ago -- those reports have pretty much died out because what I've learned is sometimes people will talk shit. But you know what? You silence it with action and delivering with excellence. And that's what you're doing.

And I appreciate that. That was one of the most thorough reports that I have ever seen in my 14 years on the commission. And I'm just not saying that. And I appreciate your energy, Mr. Acting Director, and the work of the staff here. I definitely want to say that the resources that we do have -- we just have to use them because, eventually later, we're going to talk about the budget.

We're going to have to talk about that. And that's okay because you have to have a budget and how we use it and use our resources and also building partnerships, building coalitions. I think, right now, we're starting to peak that we're right at that point where people -- a lot of people will come to us.

But we still have to go out and network because this is something that's going to take another life of its own. And I'm excited about that. I'm glad that we're not giving up on offshore wind, the blue water thing that our vice president, Stephen, is talking about. And we see where we go with that and build those things.

And creativity and not being afraid to think out of the box -- I think that that's okay. And there's going to be some winners. There's going to be some losers. But I think we're looking at the Port now through a different set of lens. And it's through your lens right now and the team and our esteemed leadership here at the commission and the rest of the commissioners to move forward.

I definitely want to say I'm wearing this jacket -- Black History Month. My grandfather wore this jacket as he played for the Kansas City Monarchs, but also he played for the New York Black Yankees. And we live in a time in this country where the achievements of African Americans are trying to be just destroyed, pushed away.

And there are so many successful things that have been done. And I don't care what you do. Excellence speaks for itself. You can try to hide it. You can burn it. You can destroy it. You can't stop it. It continues to move on. And things just have to continue with that level of excellence and all the achievements.

And also, to Dr. Coleman, who was the first African-American who was on this Port Commission followed by Kimberly Brandon, then myself and now Brother Ken. And so we are a part of it. And you know, I know a lot of people will be saying things about the Super Bowl, you know.

Hey, this is where we're at now. We live in a different world. And we've got to mix it up. So this is something positive in this haze of everything that's going out there. And a lot of times perception is a big key. It really -- it's a big key. And I will just say this, and I'll get done.

But I like it that you go over there, and you give your report. And you're facing us. And there's something about it. Right. And as I said, I'm seeing something in you that I remember when you came. And I've just seen you emerge. And you seem so comfortable in talking about it because you believed it.

And they always say it's those that are very quiet that work in silence. They get their act together. And they move, and they learn. And they have a strategy. And your demeanor kind of reminds me of the coach of the Seattle Seahawks. He was very quiet, didn't say a lot, didn't talk. He don't talk a lot. But he knows how to win. And that's what we want to continue doing at the Port of San Francisco.

And I also want to give a shout out to Chinese New Year that we'll be starting. It's very important to acknowledge that. Chinese New Year's is a big part of our history and, I know, with Steven and Chinatown. So we send out a lot of good energy their way. Thank you.

President Gilman: Thank you, Commission. VP Engblom?

Vice President Engblom: Thanks, Mike. Great report. Thank you for starting off by acknowledging Black History Month and Lunar New Year. It's a great way to acknowledge how important those communities are to our city.

I think, you know, just picking up on the -- watching the Super Bowl and seeing -- even though San Francisco -- the 49ers didn't play, I think San Francisco was the clear winner in the -- think about, if you were a chief marketing

officer right now and you were talking to your board about how many eyeballs saw the Ferry Building, whether during the television coverage or all of the social media influencers all week, I mean, just -- the clear winner was San Francisco and our waterfront.

And you know, I -- just congratulations to you and to the whole team. I know I feel like San Francisco, like was mentioned, our mayor is really reinventing how politicians are out there using social media. I think our team is doing that also. So congratulations to the communications team.

But I wonder, how do we leverage that now as sort of -- you know, pick up on that? If you were a CMO, what would you be doing with all of that amazing coverage just to continue the momentum? So just a really great way to think about it.

Then, your report about -- I really like the way that you've organized the chapters. And even though -- I like the word that you were using a lot, partnership. You know, internally, I think it's really important for our teams, you know, our maritime team, our real estate team, our resilience team, our planning team to think across these.

So I'm glad it's not, you know, set up in these different division chapters because I think the way to succeed in today's world is to partner -- and you used that word -- internally across our teams but also with the rest of the city, with the state, with the private sector. I think that that's going to be really important for us.

You know, I think that a lot of times I feel like -- I think it's important to ask the question like, as -- you know, what do you with a strategic plan? You don't just put it on the shelf and then let it go. I mean, it's like we want this to be a call to action from our partners.

So how can we -- you know, what do we do with this? How do we get it out to our private-sector partners? How do they know what's -- what are the opportunities for them to get involved? It's like, you know, the -- don't ask what the Port can do for you. Ask what you can do for the Port. You know, it's like this kind of dialogue with our strategic plan.

I think we should really be thinking that way and really asking -- you know, just -- in the economic growth chapter, there's a section in there about all the momentum around the arts. And this past month, there was, you know, announcement about the California College of the Arts closing.

And I know we have some incredible new partners in the arts. And I just think, you know, it's -- this economic growth chapter in the report -- we should be -- you know, that should really be front of mind for anybody at the city to say, hey, I know the waterfront is reinventing itself and has a new pillar around the arts. How can we make sure that the arts continue to thrive in San Francisco?

You know, maybe now -- maybe they're not in a different neighborhood. They're on the waterfront now. You know, just how are we front of mind for everybody?

Just one -- a couple small suggestions maybe the team could think about - - I found that a couple of the chapters -- you know, sustainability and resilience -- they're cousins. But are they different chapters, you know? Sustainability is a means to resilience, I think.

So I would just ask if there's a way that maybe they could be combined just to make the document a little bit clearer for people. And then, the other thing that I think -- I think that we are already acting in a way that's more mature than community engagement.

I feel like we're creating pathways for community empowerment. So I would just -- I think that the word engagement is a little bit of a -- sort of an antiquated phrase. I think -- I see our advisory committees really helping us to drive our strategies, not just -- you know, we don't come up with a strategy and go engage with them about, what do you think?

So I would just maybe ask those kind of -- ask the team to ask, are we where we want this to be? Or can we organize them, so they're even more powerful? So when you go out to use them for those conversations, they're as effective as they can be. That's it. Thanks.

President Gilman: Thank you. Well, Mike, I just want to thank you first for a great report. And I really just want to thank all of the staff for all the work that you did during Super Bowl and particularly to Kyle's and the security team for how safe and welcoming it felt.

I wasn't on the waterfront at 3:00 a.m. But as someone who lives by it, I was down at the waterfront just to conduct day-to-day business, forgetting actually about the Super Bowl. And it was packed. And it was clean. And it was safe.

So I really want to thank Kyle and the security team. And I really want to thank Tim and the boots on the ground with the maintenance staff. I mean, there was a lot of people here, sometimes kind of annoying. But there was a lot of people here. Everything was really, really great and firing on all cylinders.

And also a shout out to our partners at WETA -- I had to take a ferry on Saturday at the Super Bowl. And we had a lot of people coming in and coming out. And that all was really seamless particularly with the new dock configuration. So I just really want to thank the team for everything you did and really highlight how much I think this really highlighted the waterfront both northern, southern and central as the place to be here in San Francisco. So congratulations to the team.

And I want to echo all my fellow commissioners, agree with their comments completely particularly about the strategic plan and really the fact that we're still upholding equity at a time where, in this country, it is not being celebrated. It's not being embraced. And quite frankly, it's being white washed.

And so I really want to comment the Port and our values and the values of St. Francis and this city and, I believe, the values, you know, of our administration that we are going to hold those values strong here in San Francisco.

I think, on that mark, just sort of riffing off something VP Engblom said -- because, with all due respect, I also think empowering is also sometimes a little antiquated. I think maybe public collaboration, you know, because I don't want to perceive that we're coming into a community and we're empowering you. That's a little parental to me, just with all due respect.

So I think, in some ways -- and engagement also, I think, lends that we engage you. But you're not -- we'll take your feedback, but you're not really a decision maker. So I think, if we're going to switch it up, I think maybe a word to think about, which was a through line to your whole report and how you're leading internally, is collaboration. Right.

We're collaborating with our teams internally. You know, hopefully, you know, Tim is as concerned with what's going on in his unit as Andre is concerned about what's happening, you know, on the docks. And that's true collaboration, right, when we all rise and fall together.

So I think that's what we want with our public engagement. And I think it's so critical because of the Burton Act and because of the advisory group so just wanted to sort of add that lens to that. And this is an amazing report.

And I wish us luck in securing more grants at a time when it's really, really difficult. So I know we have a team in D.C. And some of us are being lucky to go to D.C. in March to continue that fight for federal funding. And I think we've got to keep our eye on that and keep chugging away at that because, if it's not with this administration in D.C., it will be with the next.

And we can recycle, repurpose, reuse those things because we're at a time right now -- it was in the Chronicle this morning -- where, you know, the federal government is not treating some brother and sister agencies here in the City and County of San Francisco very well.

And I think we've just got to keep plugging along and doing what we're doing. So I appreciate that highlight and everything that we achieved during the pandemic to pull down those state and federal dollars. I think we've really learned how to do that. So congratulations to you and the staff.

And also, 100 years of Black History Month -- thank you for that education. I did not know that. And I'm so happy that we're celebrating that and that the team is doing something. And gung hay fat choi, sun nien fai lok. And with that, next item, please.

7. REAL ESTATE & DEVELOPMENT

A. Request approval of a proposed new lease (“Lease No. L-17378” or “Lease”) with Dylan’s Tours, Inc., a California corporation (“Dylan’s Tours”), for approximately 1,505 square feet on the ground floor of the two-story building located at 490 Jefferson Street for a term of five (5) years with one (1) five-year option to renew. (Resolution 26-06)

Don Kavanagh: All right. Good afternoon, commissioners. I'm Don Kavanagh, senior property manager for the northeast and Fisherman's Wharf. Mike made a presentation that's going to be a hard act to follow. But I'm going to do my best.

So we have a lease that we're presenting for 490 Jefferson Street, which is at the far end of Jefferson near Hyde. It was built in a -- started to be built in about the 1900s and was added to in phases over the years. And it most recently served as office space.

It's been vacant. Since it's been vacant for a while, there's deferred maintenance, which is primarily non-friable asbestos, mold and some lead-based paint that Port is in the process of remediating. We hired Maven Commercial back in November of 2023 to lease not only 490 Jefferson but also Alioto's, 340 Jefferson and 300 Jefferson.

And this was sort of a nonstandard-type marketing approach because the offers came rolling in as opposed to aggregating a large set of offers and winnowing through them. So in summer of 2025, Dylan's Tours approached Maven about relocating. And with Maven's guidance, we started discussions with Dylan's Tours about a lease.

So the lease that we're proposing is 1505 square feet. So the property will still have 1268 square feet on the second floor of office space. There's also a 692-foot annex in the back that remain available for lease. So now, I'll give a little background about Dylan's Tours.

Dylan's Tours is a prominent local tour operator headquartered in North Beach. And he specializes in small-group, locally focused tours including bringing people from Union Square here and back and collecting people from hotels. So he's built quite a business.

The first five years, you know, it was like any other startup. It took a while to get going. But once the business was registered on Trip Advisor, it led to rapid

expansion. So now, he's been in business for more than 20 years, a staple in North Beach and employs local guides with extensive knowledge.

Dylan's signature experience is Dylan's famous tour, which combines a city tour with visits to Muir Woods in Sausalito. Now, I'm going to invite Dylan up to explain a little bit more about his vision for the 490 Jefferson and the next phases of his business.

Dylan David: Good afternoon. And thank you for your time. My name is Dylan David. And I am owner of Dylan's Tours. I was born and raised in San Francisco. And I still live here today. After college, I traveled around the world. And when I came back home, I came home with a deeper appreciation for San Francisco and a desire to share what makes the city so special with visitors.

I started Dylan's Tours with a single minivan, taking small groups around the city and sharing the places and stories that made me fall in love with San Francisco all over again. Over time, the business grew. And we expanded to include bike tours and bike rentals.

We also work closely with local restaurants, partnering with them on food tours that bring guests directly into neighborhood businesses. Today, we've been operating for over two decades, employing local guides and drivers and remaining proudly San Francisco based.

I'm here today because 490 Jefferson is an exciting opportunity to bring more people to Fisherman's Wharf. Our vision is to make it a central meeting point for our tours, bike rentals and food experiences, creating energy on the waterfront and supporting local restaurants, ferry services and nearby businesses.

We see 490 Jefferson as a long-term investment in the wharf and in San Francisco. And I would be honored to continue building our local business here. Thank you for your time.

Don Kavanagh: Thank you, Dylan. Now, I will move into the actual lease terms. So this is a retail lease, which is a tour office with bike rentals and food, as Dylan just described. In addition to the premises, there's one spot in what we call the mural area, which is right next door, which is where Dylan will park his tour van for both tours and for visibility.

The base rent is \$6,000 per month, which is almost \$4.00 a foot. It increases 3 percent annually. There's a five-year option. In the option, rent is established by a fair-market assessment by Port. Percentage rent is 5 percent of gross revenues over a breakpoint of \$900,000. That's on top of the base rent, not net of the base rent.

Port work is limited to the hazardous materials remediation, which should be commencing in a week and be done in about three weeks if everything goes okay. And so the Port is proposing a tenant-improvement allowance of \$320,000, which is \$213 a foot. That includes both Dylan's improvements plus also the work that Port would have had to do had we done the work. But we're doing a remediation and then passing it right to Dylan.

So that concludes the presentation. I welcome questions and seek your approval to take this to the Board of Supervisors.

President Gilman: Thank you. Commissioners, do I have a motion?

ACTION: Commissioner Adams moved approval of the resolution. Vice President Engblom seconded the motion.

No Public Comment on Item 7A.

Commissioners' Discussion on Item 7A:

Commissioner Adams: Dylan, good luck in your endeavor.

Dylan David: Thank you.

President Gilman: Thank you. VP Engblom, do you have any questions?

Vice President Engblom: No. Thank you for the presentation. Good luck.

President Gilman: I am completely supportive of the item. And I just want to attest actually I'm a neighbor to the North Beach business. So they're a very good neighbor and a good steward of it. I did have one question about the business model.

Don Kavanagh: Yes.

President Gilman: So I was just curious if the Port is going to assist -- you know, there's a set of local businesses on the waterfront. But there's also a set of, I think unfortunately -- not on our side. We don't control it on the Jefferson side -- chain businesses.

Don Kavanagh: Yes.

President Gilman: And so I was wondering if there will be a directory or a linkage or some way that will help Dylan and his company be [successful] by linking them to local businesses. It was just a question from a tour perspective.

Don Kavanagh: Right.

President Gilman: I think we have a responsibility and the diligence to uplift our local businesses. So I was just curious if we're going to provide any assistance or handoff for that for the Fisherman's Wharf area.

Don Kavanagh: I think that's a good idea. But I haven't taken it that far at this point. We are looking at new signage, way-finding signage and things like that. So it would be a good idea to include Dylan's business in that. I'm just trying to get the lease done right now. And then, we'll focus on the --

President Gilman: Yeah. No. I understand.

Don Kavanagh: -- on the support.

President Gilman: Okay.

Don Kavanagh: So --

President Gilman: Yeah. It was just for the -- sorry. What I was trying to say is we have some tenants who are local --

Don Kavanagh: Yes.

President Gilman: -- who run restaurants.

Don Kavanagh: Right.

President Gilman: And we have some people across the street who don't rent from us who are large-scale chains.

Don Kavanagh: Yes.

President Gilman: And I would just hope that the tours go to the local businesses and support the waterfront. That was the message I was trying to get across.

Don Kavanagh: No. That's our goal. We want our tenants to be supported even in the face of these sort of chain restaurants. We think having something unique and not a chain --

President Gilman: Yeah. Absolutely.

Don Kavanagh: -- is much better for the texture of the area than other chains.

President Gilman: And I welcome them. They're driving business.

Don Kavanagh: Yeah.

President Gilman: And everyone loves a burrito and a beer. But I'm just saying that, you know, we -- I just hope the tours focus on the local aspects of the waterfront.

Dylan David: Absolutely.

President Gilman: Okay. It's just a comment, an observation. Thank you, Dylan.

Dylan David: Appreciate it.

Don Kavanagh: Thank you.

President Gilman: Okay. So I'm supportive of this item. So we have a motion, commissioners. And we have a sec -- we have a motion. Do we have a second?

Vice President Engblom: Second.

President Gilman: Okay. All in favor?

All Commissioners were in favor.

Gail Gilman, Stephen Engblom, Willie Adams – present and in favor
Steven Lee – absent

Resolution 26-06 passed unanimously.

8. ENGINEERING

A. Informational presentation on the Port's Rapid Structural Assessment Program.

Matthew Bell: All right. Good afternoon, commissioners. My name is Matt Bell. I am the Port's acting chief harbor engineer. And today, I'm going to share an update on the Port's rapid structural assessment program. So first, I'll explain why we have a program to inspect our piers and wharves and how we run the program.

The last formal presentation to the commission was in February of 2022. So we have a few new members of the commission. And there's also been some changes to how we do things. And as you'll see, our main focus is inspecting our overwater structures, which are often referred to as substructures.

After explaining the program, I'll provide a Port-wide overview of the condition of these important assets. So I'll start with the purpose of the RSA program -- rapid structural assessment. So the main reason we have this program is to operate our overwater structure safely by regularly inspecting, finding damage and taking action based on what we find.

Overwater structures are much more exposed to damage from corrosion, decay and vessel and debris impacts. And all of that is very hard to see unless you get in a boat and inspect underneath. The inspections that we do are a best practice for any owner of waterfront facilities. And the American Society of Civil Engineers, ASCE, produces a comprehensive manual practice that we frequently reference in our own program.

So it may be somewhat obvious. But overwater structures are a big part of our overall portfolio of assets. In total, we have over seven million square feet of piers and wharves built over the water, which is about the same footprint as Yerba Buena Island, which you could see if the curtains were open.

Our inspection findings help the Port make more informed decisions about the future of these important assets. So as I mentioned, these inspections are an industry best practice. In some cases, they're also a requirement of our leases. So the RSA program ensures that we're meeting this obligation to our tenants when it's required. And even when it's not required in our leases, we always share the RSA inspection results with all our tenants in a particular facility.

So again, we have about seven million square feet of overwater structures across the entire Port. That is about one quarter of the total area of the Port if you count both the overland and overwater jurisdiction combined. You can see kind of on the bottom of the chart on the left that a large chunk of our land is in the China Basin and southern waterfront areas.

And when you just focus in on the Embarcadero, you can see that nearly half of the Port's total footprint is actually built over the water. So I wanted to share this chart just to show how reliant the Port and our tenants are on these overwater structures and, therefore, why it's so critical for us to inspect these structures regularly.

So now, I'll get into little details about how we run the program, start with some history. So the RSA program started in 2002 at a time when the Port recognized the need to regularly inspect all of our overwater structures. At that time, there wasn't an ASCE manual or really much industry guidance at all.

So the Port came up with its own system using these green, yellow and red color coding that we are still using to communicate operational limits. The foundation of the program, which is still true today, we just getting engineers out in the field, going under every overwater structure that we have on a regular basis. And so we continue that.

So some changes and updates since the last presentation in 2022 -- so four years ago, in the update to the commission, it was noted that the program had fallen behind in large part due to COVID disruptions. And so we promised to catch up. We did catch up.

Before we started that big effort, we kind of reevaluated how we'd been doing things. And we made some changes that are listed here. So one thing we did is we developed a standardized report template that we gave to a bunch of new consultants that we hired to do this as well as new Port employees, which helped us get consistent results back from the actual field work.

We added this overall system rating, which I'll explain in detail a little bit later. But one thing that helps us do is determine when we need to re-inspect based on the risk assessed during the current inspection.

And so, again, we were in this kind of catch-up mode. In order to do that, we prioritized overwater structures where the Port is the main responsible party, which is the vast majority of our assets. And that's in contrast to some of the long-term lease facilities, like here at the Ferry Building or at Pier 39 when we have a master tenant, who is really the responsible party.

So we have caught up. So we do plan to resume inspections of those long-term lease facilities just kind of as verification that these tenants are meeting their maintenance obligations. And then, finally, we focused the inspection of our building structures on our highest-risk assets. And I'll get into that on the next slide a little bit.

So piers are important. But obviously, all the businesses and all the activity are in our buildings for the most part. They're a major asset category of the Port. But that said, they have a much different risk profile than our overwater structures. Even the buildings on piers are not directly exposed to seawater.

And usually, if damage does occur, it's going to be noticed by people in and around the building as opposed to, if damage occurs under a pier, no one will see it until something, you know, dramatic happens.

So we are still doing regular inspections where required by our leases. And we're also doing regular inspections for all the buildings that have a higher risk for undetected deterioration, which would be older timber buildings, vacant buildings or other buildings with a history of issues.

I'll say that the majority of buildings on the Port don't fall into either of those two categories. And so for those, we'll do an inspection when a concern is raised or when the Port has a business need to do a condition assessment.

So kind of this nondescript building on the right is a steel building. It's not that old. It's on land. So we don't regularly inspect it. But occasionally, we'll have a truck back into one of these columns. So we'll go out and assess that damage. And we do have a project so that those columns will get a little bit more protection. And hopefully that stops happening. So that's the buildings.

Again, the overwater structures are really our main focus of the RSA program. And again, the critical function is just having engineers get out there in the field, put eyes on all of our overwater structures and doing that on a regular basis.

So we do that by going under the piers in a small workboat at low tide when you can see the most structure and the most piles. And we visually inspect the entire structure unless there's an area that's unsafe to access. We typically are only taking detailed notes of areas where we see damage so that we can go back, and we can evaluate if a load restriction is needed and also define the boundaries of that load restriction.

So that's kind of what the rapid means as opposed to taking notes for every single pile. We don't regularly do underwater inspections. But if our above-water inspection identifies a need, we can work with maintenance divers or consultants to perform underwater inspections.

And finally, we utilize the ASCE manual and also the inspecting engineers' own judgment to determine when the next re-inspection should occur, and structures that are in the worst condition are getting inspected more frequently.

So what do we do when we find damage? Obviously, that's never good news. But again, the goal of our inspection program is to find the damage so that we can take appropriate action. In the most urgent cases, we can work through the critical pieces of this process in a day or two.

So once a new load restriction or red tag has been vetted by engineering, we'll communicate that internally. And then, we'll work with other divisions to share it externally with any impacted parties. The next step after communicating is installing signs and barricades on site, which is often supported by our maintenance team.

If there's a feasible temporary mitigation like, for example, putting a steel plate over a weak spot in a deck, we will try to implement that as soon as possible. And then, when it comes to permanent repairs, those tend to be a longer-term process. We go through our normal project process of, you know, identifying funding, feasibility and so on and so forth.

Okay. So now, I'm going to go into the overview of the condition of our overwater structures. There's going to be two sets of maps with seven sheets each, which will cover the entire Port between Hyde Street and Pier 96.

So for those who have seen this presentation in the past, you're probably familiar with the green, yellow and red map. That map communicates operational restrictions, which we use day to day when -- you know, as an example recently, someone wants to set up a concert in a pier. And they want to know how heavy their stage can be.

And you'll see on the map that a single pier can have areas that are unrestricted or green, that are load restricted or yellow and maybe some small red areas all on the same pier. The other set of maps, which is new, shows the overall system rating for the entire substructure, which is assigned a single number for the entire facility.

So six is the best rating. And one is the worst. Each one of these numbers has a detailed definition in the ASCE manual. So since we have -- you know, in the past four years, we've essentially inspected everything. We have ratings for everything. And we calculated an average Port-wide weighted by area of about 3.5. So that's between four, fair, and three, poor, which is kind of to be expected given the age of our overwater structures.

So now, I'll fairly quickly go through the maps. So this is the Fisherman's Wharf area. This is the load-restriction map. You can see some yellow and red. In Fisherman's Wharf, that's mainly our timber substructures just because timber has a shorter service life than concrete. And it's susceptible to decay by marine organisms in the bay.

And then, here is the same zone but with these overall ratings. So the average for Fisherman's Wharf -- you know, ignore Pier 39, and ignore Pier 35. The average is 3.8. That's above average. So that's kind of a function of our timber facilities, which are in a bit worse shape being the smaller areas and then the concrete facilities like Pier 45 being in better shape and also being much larger.

So then, moving down to most of the northeast waterfront, this is Pier 35 to Pier 9. Something to point out is that a lot of the more load-restricted areas are the bulkhead wharves. Those tend to be older and also more exposed to wave impact hitting the seawall and kind of splashing up and causing more corrosion.

And then, we go to the overall rating through the entire northeast waterfront, which is -- which is essentially what you see here. The rating is 3.4 so pretty close to the Port-wide average of 3.5. And these are a little bit newer as compared to the substructures south of the Ferry Building, which is where we'll go next.

So this is Pier 9 to Pier 22 1/2, which is the fire station. The load-restriction map -- you can still see more load restriction in the bulkhead wharves due to the increased exposure. I'll highlight a little bit that the exterior back section of the Agriculture Building had to be red tagged.

So while the building itself remains safe to occupy due to repairs that were confined to the footprint of the building, we are making modifications so that any emergency exiting can happen through the building and not out the back. So we find the damage, and we implement what we need to implement to keep things operational.

This map is a little in between zones as far as the overall condition rating goes. So I'll just jump to the next slides. So this is South Beach load restrictions. These are generally our oldest piers. So you'll see more load restrictions on the piers themselves.

And then, the overall rating for the South Beach area is 3.1, which is below average for the Port. And I think that's primarily just due to the age of these structures.

So moving further south, this is the China Basin area. I think many people are familiar that we had to red tag Pier 54 last year and move tenants out due to deterioration of the concrete deck. Because of the RSA program and the inspections we've been doing at Pier 54 for years and years, we really did see this day coming. And we were able to vacate the facility in a relatively slow and controlled fashion and relocate many of the tenants.

And then, you might also notice that the valley area of Pier 50 has some areas of red. So we have a roadway that we use daily that is green and was repaired in the past. But then, there's adjacent areas that were not repaired and had to be red tagged.

And then, here is the overall rating. And so the number on the screen, average rating of 3.8, that applies from Pier 48 all the way to Pier 96 so the whole southern waterfront essentially.

So here, we have Pier 80. Just to highlight, Pier 80 is operationally in pretty good shape. And the majority of the facility is actually overland. And you can see the rating of four, fair, for the overwater portions of Pier 80 and some of the other substructures.

And then, we get to Pier 94/96. Again, much of the facility is actually overland. And then, the portion that is overwater is in fairly good operational shape, as reflected by the green and also by the four rating. So that's the whole waterfront pretty quickly. So I'm going to wrap up the presentation.

So hopefully, I've explained how important overwater structures are to the Port and why it's so important for us to have a well-functioning inspection program. In the past four years, we've made some incremental but significant improvements to the program.

And we've completed inspections for every overwater structure that the Port is directly responsible for. The primary goal of the RSA program is to find damage and take action to ensure safe operations on our piers and wharves. And the program also generates critical data for prioritizing and budgeting maintenance of these facilities. So that concludes my presentation and happy to take any questions or comments.

President Gilman: Thank you, Matt, for this thorough presentation. Is there any public comment in the room on this item? Yeah. Come on up.

Public Comment on Item 8A:

Ellen Johnck: Thank you. Hi. Good afternoon. I'm Ellen Johnck, co-chair of the Port's maritime commerce advisory committee. You know, I was thinking, as I heard this presentation, I work closely -- and all the members of the maritime -- the tenants of the Port -- with the department of the Port that -- it's the environment department. David Beaupre is here and Kathryn Purcell and staff -- Patrick Foster -- is a great team.

And they manage the entire regulatory system for all the repairs. There's what we call regional permits that the Port applies for to BCDC, the Army Corps, the regional board, which lay out the amount of repairs. And those are generally offered -- regulatorily approved. But the Port has to, of course, report on what they've done over the years -- or over the five years that those regional permits are certified.

And you know, those take a long time to get -- or even those take a long time, at least a couple years. I think the Army Corps permit may still be held hostage up at the state historic preservation office if I'm not mistaken. [laughs] Anyway, what I was thinking is that it would be a good idea to send the report -- even though, of course, some of those red marks don't look all that good.

But I think there's positive and benefits to this of facility condition that would go to the agencies to show, hey, government, we just want you to know that we are doing the best we can to keep our infrastructure intact and repaired and maintained.

We need your help in making sure those regional permits are up to date. This is what we do at the Port to support our facility and maintenance, how hard we work at it. So I just thought that would be something helpful for you all to consider submitting to the agencies. Thank you. And keep up the good work on keeping track and maintaining what we need to maintain. Thank you.

Commissioners' Discussion on Item 8A:

Commissioner Adams: Excellent report, Matt. I think a lot of people aren't aware that most of the buildings and the Port facilities were constructed between 1878 and 1945. That's a long time ago. It's like getting old. Right. You're not like when you were 18 years old.

And they look pretty good. And I appreciate doing what we can do, right, because it would cost billions of dollars to go and try to reconstruct and do the -- what it would need, right, for where we would need to be to up -- but to make sure our facilities are functioning well and stuff like that.

And as I said, we're going to be talking about our budget. But I think we have to highlight those that are a priority. And I appreciate you doing that and keeping an eye on those things because I always worry about an earthquake or something happening where someone gets injured or stuff like that. And we have to be responsible for that.

But that's a long time ago, man. And everything decays if they're not reconstructed or built back up or we get money for infrastructure for the Port. So I think that's important. And I appreciate the way you laid that out. And I guess we'll prioritize it. And I guess we'll hear more from Acting Director Martin as we go along on that.

But it's really important. But also, I think it's astonishing. They look pretty good for the most part. But we do have a couple flaws there and stuff like that. And I remember when the Warriors were going to come, when they were initially looking at Pier 30/32. They were willing to put up \$100 million cash to redo that pier down there of their own money to make sure that it was brought up to code and brought up to standards.

Nothing worse would be to have something just fall completely in the ocean. So thank you, Matt. I look forward to you coming back to us again. Thanks.

President Gilman: VP Engblom?

Vice President Engblom: Yeah. Thank you, Matt. Great report. It's a lot of information. I guess I have a question about -- thank you for your closing statement. You said something about this gives us the tools to prioritize. And I would just say that I think we have maybe -- I guess I would ask a question of our other team leaders.

Like how would we overlay market viability onto this so that that would help us in a cash-constrained environment really create a way to prioritize? Because I think engineering -- you know, we got the right answer to the question that you were asked, which is structural deficiencies or -- I think we looked at the physical challenges.

But now, I'm curious, what about -- like how important are they to Andre and Scott? And how much overlay or how much distance is there between -- like what is already covered in the resilience program or, you know, sort of the -- so those are my questions.

Like how do we -- what do we do with this? Because I think we have -- we answered the question that you were asked. But I'm asking another question now. Like how do we overlay market viability onto this?

Acting Director Martin: So I would suggest we ask that question after the next presentation --

Vice President Engblom: Okay.

Acting Director Martin: -- because --

Vice President Engblom: [Great].

Acting Director Martin: -- Matt is providing a piece of that puzzle. Becca is going to provide more of it. And we've got some recommendations in there that I think are responsive to what you're asking.

Vice President Engblom: Great. I love how quickly you got up to answer. [laughter]

Acting Director Martin: She's raring to go.

Vice President Engblom: Thank you. And I don't mean to -- I think you've done an amazing job with the question that you were asked. So I don't want to suggest that I don't think that was the case. I think it's very convincing.

President Gilman: Thank you. Thank you, Matt, really great report. I just had one sort of, I guess -- so my theoretical judgment question -- I mean, compared to other ports of similar size or similar overwater structures -- again, you know, you were asked a specific question -- like how does this benchmark against those?

I see on every slide a lot of -- I see red. To me, it doesn't seem like that much red. But maybe there's ports in the United States, ports overseas where I'd see zero red. Can you just maybe give me a sense, thinking of other ports, you know, m -- you know, I don't think it's as encompassing but maybe Seattle, the waterside or a West Coast port, a non-shipping port. Like how do we sort of stack up ag --

Matthew Bell: Sure. I mean, I think part of the answer is I don't have a great handle on that. And we have recently -- the group that puts out this ASCE manual had their, I think, biannual conference in Pier 1. And they did encourage us to join the inspection committee.

They said they didn't have enough participation from actual facility owners. They have a lot of consultants. So I think we could join and kind of get a better handle on how other ports are doing. I think, from my understanding historically, we have some of the oldest structures on the West Coast and some of like the earliest reinforced-concrete construction in the water on the West Coast.

So we may be kind of experiencing things before others are. But I think it's kind of a good point. We should be working more closely with like a San Diego and a Seattle or even New York and kind of just getting best practices from each other and also just kind of -- if anyone is kind of ahead of the trend of deterioration, we would have a better idea what's coming.

President Gilman: Okay. Great. Just because I have you here, I actually -- was another thought. And it also might tie into the facility conditions. But I would love, maybe working with resiliency and tying it, if there are talking points or anything that you think the delegation going to D.C. -- I know staff is going to.

But I really think, from an engineering perspective, if there's something on here that keeps you up at night or, you know, if there was a magic fix you would fix. I think that should be part of the briefing that we get when we go to Washington D.C., so we can talk to our California delegation about it. So please make sure that you are coordinating and collaborating with the team who is preparing those materials.

Matthew Bell: Yeah. Yeah. Definitely. We talk. I was part of that team previously. So they know the inspections that we do, the data that we get. We definitely collaborate.

President Gilman: Okay. Great. Matt, thank you so much for the presentation.

Matthew Bell: Thank you.

President Gilman: Jenica, next item, please.

9. EXECUTIVE

A. Informational presentation on Port facility conditions.

Rebecca Benassini: Good afternoon, Port commissioners. My name is Rebecca Benassini. This is my first presentation before you as the Port's strategic portfolio manager. But I had the opportunity to work with several of you going back a number of years before I left the Port in 2023 as the real estate and development deputy director.

I'm so happy to be back at the Port in this new role and to present to you on property conditions. During my presentation, I'll go through waterfront construction, very apropos of what we were just talking about, the age of our Port. I'll go through property conditions. And then, we'll talk about some strategies and next steps.

The key purpose of this presentation is really a companion piece to Matt's presentation to give you more information that you t -- we heard about the structure. I want to give you more kind of flavor of conditions at the Port. I also

want to daylight something really important that -- there are a couple things I'll try to keep focusing on because you're going to get a lot of information.

One of them is the complexity that we now face of selecting investments. We've, for decades, faced deteriorating conditions. We face needs that are beyond our means to pay for what we want to do. We face seismic vulnerabilities.

The need for an elevated shoreline really adds a layer of complexity that's new to our decision making. And you can think of like we have urgent repairs we want to make. We want to fix something. Matt's told us it's yellow. We've got to change it from yellow, make sure it doesn't go to red.

But we also now have to think about, in X number of decades, several decades, we're going to be elevating the shoreline in certain places of the waterfront. So we don't want to invest money -- or we want to invest money in light of those investments that are to come so that we aren't doing expensive reworks. That's just a complexity that I want you to keep in your minds and something we think about as we're planning any new project.

Okay. So a quick run through -- I think just thinking about the history of how this was built, the building boom that actually Commissioner Adams kind of beat me to the punch on -- we had a building boom. Our facilities are old. But they were built over a number of years. And we want to recognize and think about that.

I want to start with Union Ironworks, Pier 70, built in the 1850s, became one of the oldest shipbuilding facilities in the early 1900s. This was really our building boom. Between the 1880s and the 1930s, we built the entire three-and-a-half -- we -- I'm going to call us, the State Commission we -- we built the three-and-a-half-mile seawall. We built all of our historic piers during this time period.

The mid-1900s construction -- many of this will look very familiar to you. You've probably seen pictures of this before. In the 1940s, we extended Pier 50 out to Mission Rock. You see that in that picture on the bottom. In the 1950s, we constructed the freeway. Those are the two photos on the top. I won't say we for that one. The Port also constructed Piers 80 through 96 in the 1960s. And Pier 39 was famously built in the 1970s.

Now, this is going to start to look very familiar to you. During this period of the '90s through the 2000s, the freeway was torn down. We built the Embarcadero promenade. On the top photo, you can see that freeway coming down. The Giants ballpark was opened in the year 2000. And this building, the Ferry Building is refurbished. Pier 1 and Piers 1 1/2, 3 and 5 are renovated.

And the last 10-plus years of investments you'll be very familiar with, Exploratorium at Pier 15, Brannan Street Wharf, Crane Cove Park, the historic

core at Pier 70. And, in 2024, Mission Rock, Pier 70 streets and open spaces and buildings began to open.

So just keeping in mind this bit of construction and sort of the booms and busts and when we built items and how old facilities are I think will give you a flavor of the kind of conditions that we're going to face. And I want to go through the sort of five major categories of conditions.

I'll skip through the marine substructures. You just heard quite a lot about that. But as Matt said, we're in that sort of fair to poor condition in terms of our marine substructures. So now, I want to go down to roofs.

So about the Port's roofs, we maintain about 58 wharves across the Port, which doesn't sound like that many. But they're very large. Typically our roofs are in the 80,000-square-foot range. And beginning in 2007, we began sort of a concerted look at waterproofing more of our facilities.

We were seeing the real deterioration that comes when moisture gets into buildings. So we began this concerted effort. And at this point, about a quarter of our roofs are still in poor condition. A quarter are in fair condition. About half are in good condition. So we're going to just continue on with that. You'll see that later on in the presentation. That's one of the key efforts we want to continue.

I'm going to go through a number of our different kinds of utilities. First, on the electrical side, like all of our facilities, you'll hear this over and over again. Water, seawater makes equipment not last as long as it would were it not in these sorts of conditions.

So in speaking to our electrical engineers, the key focus of sort of effort of upgrading electrical facilities is on the -- sort of the medium-voltage facility. So we have four locations where we have medium-voltage equipment. And those are specialized pieces of equipment that you can only work on if you have certain certifications.

The focus is on replacing -- or a big effort will be to replace those pieces of equipment. And then, we would like to do many of the distribution panels that are in our finger piers. However, we likely won't have enough funding to do those all at once. So those would be done on an emergency basis.

Sewer and water pipes -- we talked quite a lot about our sewer and water pipes. Those in the streets are in fair condition. Those that are under the piers are extremely vulnerable not only to water but to floating debris that can damage the pipes that are under the piers.

And those are really the locations that we're concerned with. And when we are able, we will move those pipes above deck. Our fire-suppression system,

sprinklers and standpipes are regularly inspected and are installed in most locations. So those are less of a concern for us right now.

Our storm drainage facilities are actually in fair condition. But you'll see an investment when Meghan comes up to chat more about the capital plan. We will have a major investment that we'll need to make to meet the state's regulations relative to 100 percent trash capture in our storm drainage facilities by the end of 2030. So that's something to look out for.

Okay. We own quite a lot of floats and major pieces of equipment. So just kind of flipping through them, they're generally in fair condition. But they can be segmented by a number of different ways, sort of geographically and functionally. So first, on our maritime berths, about 42 of our 80 potential maritime berths are tenanted and active. But what we really face there are aging bollards and replacing fenders. And sometimes, there's a lack of access to utilities, which is a limitation.

Fisherman's Wharf harbor, where we have about 180 slips, there -- you've heard about some of the conditions there that need improvement in the lagoon before, a need for a new ice machine. Fender, pile and stall replacements are needed, electrical upgrades, ladder replacements.

Some of those we can address through our Fisherman's Wharf program. So that's one potential solution for some of these issues. South Beach Harbor slips, where there are about 700 recreational slips, are in fair to good condition. And you'll see in the capital plan that there are a couple of investments in community room updates, lighting, gating, that sort of thing.

The last bullet has to do with generally what our Port maintenance is using. We are extremely excited about the new pile-driving barge that Port maintenance will get, I think, in the next 12 months, I believe, is when it's being delivered. That will be a huge benefit to our maintenance of our facilities.

But Port maintenance also owns four other barges that are in poor condition and will likely need dry docking. And we maintain two passenger ferry floats also that are expensive pieces of equipment that we'll need to dry dock and take care of in the coming years.

Finally, streets and parks -- our streets are generally in fair condition. The one -- the street that's in the worst condition is Amador Street. We do have a project underway. You all approved this late last year. So we have a project underway to improve Amador Street.

And the Port maintains about two-thirds of all parks and open space on our property. Those are in good condition although some locations do need capital refreshes and sort of improvements in the offerings that are on site.

Okay. So that was a lot of information, not in map format. I apologize for that. We didn't have that data in that format. But I want you to kind of take away from this -- we have aging facilities. We have insufficient capital to bring everything up to a state of good repair, let alone to modernize, refresh or reposition the property.

We don't throw up our hands though. We come up with strategies. So the next two slides are sort of the eight key strategies to stretch the resources we have, to use the resources we have. You'll hear sort of threads of this as we go through the capital plan in my subsequent presentations.

First, we want to focus on structural integrity, something that Matt was speaking about, substructures, prioritizing investments and keeping our structures in good condition, especially locations that have good tenant prospects or good existing revenue.

We want to prioritize waterproofing and roof renewal -- not surprising there. We want to focus on allocating capital towards facilities that can deliver economic returns or reduce risk exposure. So those are two key things we'll be focusing on while meeting our regulatory and safety requirements, of course.

We want to pursue debt issuances for high-capital-return projects. So projects where we see a clear return where our balance sheet will be improved, we have the opportunity to use debt financing to finance some of those.

We'll be incorporating resilience -- integrating resilience into all of our major projects, meaning that we'll be, of course, aligning with what we believe will be the future shoreline elevation plans. And then, we'll also be looking at federal funding opportunities where we have projects that can benefit from our funding as well as federal funding.

We'll be pursuing public-private partnerships. So we're thinking about it in instances where we have opportunities for rehabilitation such as at Pier 68 or where we have activation opportunities, particularly in our historic finger piers. Those will be opportunities for public-private partnerships, intermediate term leases and joint ventures.

We really need to modernize our systems. This presentation was a joy to put together. But it required me going around and looking at every divisions' spreadsheets that they keep on all of our facilities. And we're really excited in the capital plan to be looking at modernizing our system, so our property management and asset tracking can be seamless. And we can all have visibility into one another's projects.

And finally, we are extremely excited about the pile-driving barge that our maintenance staff will be getting. And the key reason for that is that this is work that we need to do all the time. We should have it in house. We should have the

equipment and the staffing in house. And that will really protect us from sort of increasing cost escalation over time.

So those are the key strategies we're looking at going forward on. And I want to make sure I get to the question. So maybe when it's time for Q&A, we can kind of restate and kind of discuss the question that Commissioner Engblom had earlier. Thank you.

President Gilman: Thank you, Rebecca, so much and great to have you back so much. So first of all, is there any public comment on this item? Any public comment? Jenica, is there any public comment on the phone?

No Public Comment on Item 9A.

Commissioners' Discussion on Item 9A:

Vice President Engblom: Great. Thanks, Rebecca. It's really fascinating. I guess I just have to ask the question because you did have great history, a lot of stuff in here I had already heard about. But there was some new stuff for me. So thank you about that.

I guess my sort of big question is -- I know other ports have done this -- I mean, there's so much in here. And I just wonder, are we open to like alternative project delivery, like an over -- like trying to -- I mean, you got right at the heart of it at the end.

It really -- I mean, we're stewards of this waterfront. And we're sitting here on programs and seriously talking about decades of timeline of being able to afford to do all this. And I just wonder, are we asking ourselves -- are we allowed to ask ourselves, is there some alternative-delivery approach that other ports have used that we could explore that helps us accelerate timelines, you know, create consistent approaches.

You know, so I guess that's -- I think you're kind of teasing that out in the end because you say something like, you know, what about -- what did you say? Pursue public-private partnerships. I mean, I'm not sure that's -- that phrase, I think, makes people nervous because it sounds really complicated.

But there are other approaches that I know other ports use for these multi-billion-dollar programs. Are we allowed to consider that? Are we considering that?

Rebecca Benassini: I thought you were going to ask me about rent, and I was totally ready for that question. [laughs] So I'm --

Vice President Engblom: I asked the question earlier --

Rebecca Benassini: Yeah.

Vice President Engblom: -- because I think -- you know, but you're getting at it. I think market viability on top of all this is a really important lens for us to be -- I feel like you're talking about that. But I don't explicitly see that. So I would challenge us -- alternative program delivery -- that's my one big question. And the second question is, how do we overlay market viability on top of this?

Rebecca Benassini: Yeah. So maybe I'll take sort of the second one. And if somebody could help me with some of the first sets of questions in terms of project delivery, if anyone has any comments to make, that -- not quite in my wheelhouse.

One of the things I started to do as soon as I got back to the Port was really try to systemize our information on revenue and revenue history and where we're getting our revenue from and sort of like the drivers of each of these bits of revenue. And what became more clear is that we don't often segregate our revenue by location, which -- we do it by location but actually looking at how much are we getting from any particular building or footprint.

What are we spending on that footprint? What's its sort of future capital needs? And this is something that Scott and I have talked about at quite a lot of length and Andre as well and just kind of focusing our scarce resources on some of these locations because we're so limited in what you were talking about: project delivery.

Like any time we take on one project, that means that's some of Wendy's project delivery staff that can't work on another project. And so what I've been focusing on is prioritizing, not -- I don't want to call it shrinking the pie but sort of directing our resources to our most potentially impactful projects where we have a good revenue upside.

That's really what I was focused on is where could we put money in and we could get the best revenue bang from that location. What you're talking about -- that's sort of like the first part of the question that I am still continuing to work on and hopefully can update you on at a future date. I think faster project delivery -- that's a little bit less in my wheelhouse.

I don't know if anyone else has comments about that. I sort of wish Brad were here to talk about -- that's almost like the bigger sort of big project moves that resilience may be better equipped to kind of opine on.

Acting Director Martin: I'll do my best to opine.

President Gilman: Yes. Director, please, if you want to say something.

Acting Director Martin: So I think it's an interesting question. It's one we wrestle with quite a bit because contracting for capital work is hard and time consuming. And we have a pipeline of work. We formed what we call the project management office just before the pandemic. And it became a very vital thing that we really had to use that muscle to deliver those grant-funded projects.

And we're trying to kind of take that bigger look with the things you're going to be seeing in the budget to try to think about because those alternative project delivery things are complex. And I think we want to make sure we're working with the city, who I think is also looking at capital project delivery as part of the charter reform that they're looking at.

I would say public-private partnerships on the flood study are our path to get to those things because they're usually with private partners that are very sophisticated in bringing private capital and can kind of lead the way while we put out what we need to see for the facility's success.

And then, as we move ahead with resilience, I think there's big opportunities to use those investments to not only renew the specific things they're building as the line of defense but to bring in either our capital or private capital to sort of do the work around that that then keeps our facilities generating dollars for the Port.

So I don't know that -- I think our answer to your question is absolutely. But we don't have the reach right now in terms of our capital budget. But I think there are a lot of things pushing us in that direction including the debt issuance piece in terms of how we expand our reach and do things that maybe are more efficient in delivery than what we're able to do now in sort of a more low-bid environment.

Vice President Engblom: Okay. Well, I guess I would just say that -- just my last comment would be -- because I think this is -- these are incredibly useful tools. And now, I think we just need to ask ourselves, how do we make the most of them?

And I think one step that I've seen be effective before is, you know, maybe a -- maybe next time, we have -- I know, you know, some sort of call to the industry like an industry-ideas workshop where we ask people to come in and give ideas about how alternative program delivery could help address this -- what is it? \$1.9 billion worth of program -- because I think we could probably learn a lot.

And I think that would help accelerate -- I know we have a workshop coming up with some of the local businesses. And those are all -- you know, maybe we ask them ideas because just the roof alone -- what did I hear? 40,000 square feet of roof is in good condition, but 40,000 needs -- that alone would be a really interesting puzzle to ask.

Would some business be interested in coming in and managing that entire portfolio of roofs so that we get consistency and speed? Could that be combined with some sort of solar program or something like that? I don't know the answers. But I just think we should be asking those kind of questions.

Acting Director Martin: Really good point. I think that's really helpful advice. We'll definitely try to do that.

President Gilman: So I'm going to go and then Commissioner Adams. I'm switching it up --

Commissioner Adams: Okay.

President Gilman: -- for fun. Come on. It's just three of us. So Rebecca, thank you for the report. I think -- just a couple of comments or observations because I feel like Commissioner Engblom inspires me all the time. But before I get to the stuff that he made my mind generate, you know, I did want to say too -- you know, I know we have really scarce resources for this whole entire program.

And it's a tough call to make. But one thing too which I hope that we would hold up -- I actually think market viability and like sort of how we can activate and get the most out of where we put our assets is super critical. But I am channeling past commissioners to say that, while it's not the oldest, you know, Pier 40, Pier 38 and South Beach, you know, are between 1905 and 1909 on your sheet.

And they may not be from an economic drivers perspective -- I don't know. I'm just theorizing -- the most profit margin. But we have an obligation to the south section of the waterfront, which historically -- not the folks sitting in this room but people before us and the State of California neglected, industrialized for the communities that live across it.

So I would hope equity and kind of past investments would also be another lens that we look at to hold up equally or to just have as a factor point because, sometimes, you know, what's exciting economically or -- may not be what we see today or now. So I just wanted to add that point.

And then, sort of going back to -- you know, we have the contractors open house, which I think is what VP Engblom was alluding to. Maybe it's good to have some of these -- I don't know how you would make it digestible. And see -- I w -- Erica and the comms team are back there -- maybe to have some of these blown up or to have a question sort of to get people thinking or collaborating.

Like the roof is a great example of it so that maybe people in the room start talking to each other who may not -- I know they're all there to come contract with us and get to know us, understand our process. I've been to it -- I was -- went to one like pre-pandemic of when Alysabeth was first doing it.

But maybe there's a way to have like a coffee corner or something where folks can see some of our capital needs and organically come together and be like, hey, I saw you talking at that table. And you're an expert -- I don't know -- in overwater plumbing. And I'm an expert on overwater electrical work and see they have a problem. Maybe we can get together and figure it out.

So I think maybe just some way to spur creativity, to go back to kind of that solution-oriented way because I think a lot of those contractors just have their head down. Contracting with us is hard if you're not a big firm, you know, like Arcadis, as an exa -- even for them, I'm sure it's hard.

But it's hard to contract with us at the -- I mean, it's not our fault. It's just the nature of government, the city, the Burton Act. It's complicated. It's hard. It's complex. So you know, maybe also letting folks know these are kind of the things in the future, which could be five, 10, 15 years from now, we're looking towards, might be helpful for them. But great report.

Rebecca Benassini: Thank you.

President Gilman: And Commissioner Adams is going to close us out.

Commissioner Adams: Well, I see things a little bit different than my president here and vice president after having 46 years of experience in ports and understanding where the Port of San Francisco came from. Andre understands it because Andre worked for the PMA. And he also worked for the shipping and understood.

And at one time, the Port of San Francisco was the largest port on the West Coast. And then, as we all know, back in the '80s, there was something that happened where there were some political appointments. And sometimes, people come in as a director or people h -- and they know nothing about ports.

So someone made a decision to go in a direction to get away from being a major shipping port. And we became a landlord port, a real estate port and s -- kind of a lot like Seattle. Seattle's kind of like that. And I know he's talking about billions of dollars.

Well, the reason like L.A. Long Beach can get so much money is because those major shipping companies -- when 45 percent of the nation's cargo is going through L.A. Long Beach and it's the largest port in the United States, there are resources. You're on a different level. It's a whole different ballgame.

And I think Mike said in his report -- and I don't know if anybody remembers what he said. He said we've got to find our identity. We're not L.A. Long Beach. And there's just certain resources we're not going to get. But there are certain resources we can get with our identity and how we shape what we can do.

And I think we have to be creative. Just to give you a good example, like Seattle -- they've already dealt with their seawall. And we're headed there. But they understand it. But also, they have housing up there. And so most of the work in Seattle now has went to Tacoma because Tacoma has maintained a container port.

So San Francisco, when they took the bridge down and decided not to expand -- and whoever was sitting in these seats here and whoever was the Port director -- they went in a different direction. And Ellen will remember them taking the freeway down. And she's mentioned it several times. They went a different direction.

So I think -- and I can't wait till Meghan gets to the budget where we talk about this. I think Mike's going to say -- and I'm hoping that we look at what we can do and how creative we can get and what resources because this is where we're at now as far as resources.

And there are certain billions and billions of dollars. I don't see how we're going to get billions and billions of dollars because that's not the playing field that we're on. I think there's money that we can get and get investment and get certain people in here. But we are a boutique port.

And I think there is no other port in the West Coast like us because San Diego -- they have a lot of cargo. They have a little bit of everything and cruise ships and stuff like that. Sacramento's not like us. Sacramento has mostly grain. You have Stockton. You have Port Hueneme. You have San Diego.

But we're a different kind of a port. And I think we're going to have to play to our strengths. And I appreciate how Mike laid it out and the vision on what we have to do to get to where we need to get to and to be able to bring certain kind of monies and resources to our port.

And I think, still, I will say that San Francisco is a world-class port. People kind of look to our port because we are different. And we're not depending on these big shipping companies that come in and out and they're competitive because L.A. can s -- well, I can go to Long Beach. Or I'll go to Tacoma. Or I'll go to Seattle. Or I can go to Vancouver, Canada. Or I can go to Mexico.

So you're playing that with these global giants and stuff like that. And like the Federal Maritime Commission. And we have one of the members from our union on that Federal Maritime Commission that I think could be helping. You said bring someone out here. Well, Max Vekich is a member that we were able to get appointed to the Federal Maritime Commission when President Biden was there.

And he would -- look. That's what he does: ports. And they deal with all type of ports. They're doing now -- helping the Port of Baltimore repair the bridge.

They go to small ports. They go to some ports like up in Coos Bay, Oregon. And they have n -- kind of like just a smaller port. And it'd be good to get their insight and availabilities that we had. And maybe when you're in D.C., you can meet with the Federal Maritime Commission.

President Gilman: Yeah.

Commissioner Adams: I think that would be good to meet with them because that's what they do. They oversee all ports. And Andre will tell you one size doesn't fit all. Every port up and down -- there's 29 ports on the West Coast. They're all different. None of them are identical. And I think we have to play -- that's just my opinion how we have to play to our strengths because this is where we went as a port.

Somebody made that decision in the '80s that they no longer wanted to be a major port but wanted to be a boutique port. And we became a real es -- so we're like really a landlord in real estate. So anyway, that's my opinion. I appreciate seeing you back. And thank you.

President Gilman: Thank you, Commissioner. And with that, next item, please, Jenica.

10. FINANCE & ADMINISTRATION

A. Informational presentation on the Port of San Francisco's Proposed Fiscal Year (FY) 2026-27 and FY 2027-28 Biennial Operating and Capital Budget.

Meghan Wallace: Good afternoon, commissioners, Acting Director Martin. I'm Meghan Wallace, the interim deputy director of finance and administration for the Port. Today, along with my colleague Maks Zherebin, the Port's budget and data analytics manager, we'll be presenting the Port's proposed fiscal year 2026-27 and 2027-28 biennial operating and capital budget. We're also supported by Karolina Bufka from the finance team, who did a ton of heavy lifting behind the scenes to help us prepare for today.

I'll start with a quick overview of the mayor's budget instructions and overall budget picture including our five-year outlook. Maks will walk us through the operating budget in more detail. And after that, I'll come back to cover the Port's capital improvement program and our biennial capital budget. As well, we'll cover how the budget aligns with our financial policies. And then, I'll walk you through our overall schedule and next steps in the budget development process.

So as you're aware, earlier this year, Mayor Lurie issued budget instructions to all city departments in the context of a significant general fund deficit. His priorities focus on safe and clean streets, a strong local economy,

excellent core city services, affordability for families, a strong social safety net, reliable public transit and transformation of our health and homeless systems.

As you might recall at our January 27th Port Commission meeting, it's clear that the Port's priorities align very closely with our mayor's. And this budget already does advance much of this work. I also want to reference actually the state's priorities, which commissioners have previously asked about.

The state's process is currently underway, really kicking off in January a \$350 billion budget. And much like the city, the state is operating in a great deal of fiscal restraint. This is really tied to pressures from the federal policy level. But I think, like at the local level, the state really is in great alignment with the Port's own efforts, particularly with climate resilience, thinking about zero emissions, offshore wind.

And staff will be continuing to monitor activities at the state level and coordinate with other ports. Overall, the general fund -- the overall budget instructions gave very clear and simple direction to enterprise departments or non-general-fund-supported departments. We are to submit a balanced budget. And we are not to impact general-fund-supported department budgets. And this budget proposal does just that.

General-fund-supported departments have a much more challenging process ahead of them. They are asked to reduce discretionary spending, review contracts and staffing, identify efficiencies and reduce long-term costs. This is all an effort to be able to align city services with available sources.

Next, going into our budget overview and then our five-year outlook -- so to begin, I'm going to give you a little bit of a kind of a framing of how our budget is structured. The table on the right provides the Port's budget at a high level. We start just kind of thinking from top left to the right.

We start with the estimated results in the current year, fiscal year 2025-26, followed by the proposed biennial budget of fiscal year '26-'27 and '27-'28. And then, you can see projections over the following three years through fiscal year 2030-31. You can see our starting fund balance. And then, we start to go into our operating and capital budgets and the ending result in our ending fund balance.

So to just kind of walk you through it a little bit more closely, as you can see, our operating budget is comprised of operating sources and uses overall. I would focus on our operating expenses to define the size of our budget. So you can see that the proposed budgets are \$131.2 million and \$134.6 million, respectively.

But the good news is we are generating more operating revenues than we're proposing in expenses. So we generate net operating income each fiscal year so just over \$17 million and then \$16 million between the two years.

And then, take your eyes down to our capital budget, which similarly has sources as well as uses. In this case, you'll see that our proposed capital budget is \$86.2 million followed by \$37.4 million over the biennial period. And because sources are less than uses, we actually need to draw from the harbor fund fund balance. So as you can see, it's a pretty significant contribution drawn from our fund balance.

So together, looking at our net operating income and the capital draw, that results in the net change in our fund balance. And that net change is what drives that ending fund balance at the end of the fiscal year. And the ending fund balance in one fiscal year then carries over as the fund balance in the following year.

And I think, overall, just want to really highlight that we have a very strong fund balance. But we are proposing a budget that ultimately draws it down through significant capital investments paired with declining net operating income. But nonetheless, we will be working well within our operating reserves.

Just want to highlight that our operating reserve policy is at least 50 percent of our operating expenses and within this proposed budget and even out into the five-year window. We are operating well within that criteria.

And with that, I'm going to hand it over to Maks, who will provide an overview of our financial outlook as well as then walk you through the details of our operating budget.

Maksim Zherebin: Good evening, commissioners, Director Martin, staff and the public. My name is Maks Zherebin. And I am the Port's budget and data analytics manager. And I am here today to talk about the mechanics of the proposed operating budget.

So starting off here with the revenues, we considered three scenarios based around general market conditions and known operational risks. The continuous blue line is the actual revenue achieved through fiscal year 2025. The dashed lines represent the projections in the three different scenarios. So we have high in light green, low in red and the base in blue.

And consistent with prior practice, the base-case scenario is the foundation of our proposed budget. And I will walk through its detailed assumptions in a following slide. The graph here isolates the base-case revenue scenario from the prior slide. And then, it also layers on the operating expenses in dark green. And it excludes capital.

So similarly, the continuous lines are the actual performance of revenues and expenses through FY 2025. And the dashed lines represent the projections through FY 2031. The vertical distance between the revenue and expense lines

is the net operating income. And these funds are typically available to support our capital investments after all operating costs are covered.

The key takeaway from this slide is that the distance between the two lines is growing smaller and particularly in the out years, as expenses grow at a much faster rate than revenues. As has been prior practice, the proposed budget takes a conservative approach. In practice, actual revenues have consistently exceeded budgeted revenues. And actual expenses have consistently remained below budgeted expenses.

And because the Port typically earns more than it anticipates and spends less than it plans for, net operating income has historically performed better than planned with a wider gap between the revenue and the expense lines.

But nonetheless, the budget planning process recognizes unprecedented events like pandemics and economic downturns and takes deliberate measures to mitigate the risks. And you will see this in action on the next slide.

So going deeper into our operating budget -- so I will start off with revenues because they drive our operations. Overall, operating revenues, which largely come from rent and fees for the use of Port property, are projected to grow at a moderate rate of approximately 2 percent year over year.

When developing these projections, several key factors are considered. The first is in inflation. Many tenant agreements include CPI-based escalation provisions. And then, we also review market conditions like office vacancy rates and asking [rents]. Hotel occupancy is another important indicator because it serves as a proxy for tourism and helps gauge performance across our restaurant and retail percentage-rent tenants.

In addition, we closely evaluate upcoming tenant agreement expirations to assess renewal risk and re-leasing timelines. Physical conditions of Port facilities, such as the closures of Pier 54 and the completion of Roundhouse repairs, are also reflected in these projections.

When we compare changes by industry on a budget-to-budget basis, maritime revenues decline by roughly 3 percent in the first year, in FY 2026-27 and then increase by about 3 percent in the second year, in FY 2027-28. The initial decrease is due to termination of several cargo-related agreements, most notably at Pier 94 and Pier 70 shipyard.

Cruise revenues continue to grow but at a slower pace than in prior years. Following the reopening of Asian cruise markets, passenger demand has normalized. So cruise lines are now focusing on maximizing occupancy on existing routes.

On the real estate side, revenues decline by 7 percent in the first year and then increase by 4 percent in the second year of the proposed budget. The initial decrease reflects timing of the parking changes that were approved by the Port Commission at the end of calendar year 2025.

The changes are only now being operationalized. And they are phased in over multiple years. In the prior budget, full implementation was already assumed by the current year. And so delays have shifted the timeline. And the revenue projections have been adjusted accordingly.

On the finance side, we experienced unusually strong investment earnings from a healthy cash balance. To reflect current conditions, we are making a one-time upward adjustment to budgeted interest income consistent with the controller's forecasts.

Over the longer term, earnings are expected to return closer to historical averages, as cash is deployed toward our capital projects. Finally, South Beach Harbor revenues are generally stable and are primarily generated from berth holders and tenants in the Pier 40 shed.

To close this slide, these revenue projections were developed in close coordination with our Port divisions to ensure revenue targets are realistic, achievable and aligned with divisional work plans.

Now, I'll turn to expenditures. Salaries and benefits together with services of other departments, which we also refer to as work orders, account for roughly 80 percent of our operating budget. This distribution has remained consistent year over year.

The majority of work orders also reflect personnel-related costs, which are the largest expense across the city and are governed by union agreements with negotiated wage escalations. The following slides will walk through these major categories in greater detail.

So this slide walks through the major changes by major operating expense category. Salaries and benefits are the single biggest driver of our expense growth, reflecting a combination of new positions, classification changes and labor agreement escalations.

To help offset increases in other areas including in work orders as well as smaller increases in materials and supplies and equipment, we identified savings elsewhere in the budget. The largest reductions occur in non-personnel services, overhead and debt service.

In some cases, these reductions reflect reallocations to higher priority needs while, in other cases, they represent true savings from deliberate cost containment measures, including closer review of as-needed contract utilization.

And now, I'll turn to staffing because it is the biggest expense and change driver. I'll dive deeper into the operating position changes. And in a later slide, Meghan Wallace will describe the capital position changes. The latter are treated differently because they have dedicated funding and do not affect the operating budget.

Overall, at full implementation in the second year of the budget, the proposed operating position changes will add approximately \$6.1 million to the existing budget. And they will result in a net increase of eight full-time-equivalent positions.

The changes fall into three broad action categories: new, substitute and other. And the new action category is further broken down to match the Port's internal request categories with the mayor's priorities. New operating requests total \$1.6 million and add eight FTEs focused on strengthening core capacity and reducing operational risks.

Consistent with a conservative budgeting approach, staff first evaluated whether existing or vacant positions may be repurposed. New requests reflect only those that cannot be addressed through internal reallocations. And they are as follows. Project delivery reflects the mayor's priority of strengthening the city's economy and includes one construction inspector within our engineering team to reduce reliance on external consultants, improve coordination and mitigate oversight risks.

Safety and security reflect the mayor's priority of safe and clean streets and adds two security guard positions to the homeland security team. This builds on actions approved in the prior budget to bring work in house and improve operations.

Finance and administration operations reflects the mayor's priority of excellent core services and addresses long-standing capacity constraints by adding three positions in the information technology team and one in human resources.

We are also proposing to update one position's funding from capital to operating. While it appears as an addition, the function and staffing level are not new. This position on the planning and environment team supports core operations and was inadvertently included under capital in prior budgets.

Now, to substitutions -- these changes total \$0.9 million and do not change overall staffing levels. This includes repurposing positions across the organization for existing staff to align the budget with how the work is already being performed, creating opportunities for career advancement and shifting resources toward higher priority needs.

And finally, the other actions include \$3.6 million related to temporary staffing and management classification compensation plan adjustments. These changes can be considered one time to right size the budget and establish accurate baselines that hadn't been previously included.

Temp salary supports limited term and as-needed staffing, such as interns, apprentices and Prop F retirees, allowing the Port to respond flexibly to workload fluctuations without a commitment to permanent staffing increases. This area of the budget also preserves pathways beyond internships. And that's particularly within the maintenance and the maritime divisions.

And MCCP adjustments help retain and develop talent by allowing wage [placements] beyond range A when warranted. And taken together, these operating position changes reflect targeted investments in capacity, operational alignment and workforce stability while maintaining discipline around long-term cost growth.

And now, onto our next biggest expense, which are the work orders -- so this slide is trying to highlight the five largest work orders. We have many more. And those are provided in an attachment. But collectively, the five biggest account for approximately 72 percent of total work-order spending.

And this distribution has remained largely consistent year over year. The two largest work orders are with the city administrator's office for property insurance and with the fire department for fireboat operations and staffing. And those are followed by the Public Utilities Commission, the city attorney and the Municipal Transportation Agency.

And work orders primarily represent services provided to the Port by general fund departments. And from a citywide perspective, this spending functions as the Port's contribution to the general fund, as the Port's expenditure appears as revenue to those departments and directly offsets their service costs. And now, I'll turn it back to Meghan Wallace to walk us through our capital budget.

President Gilman: Thank you.

Meghan Wallace: Thank you, Maks. Okay. So getting into the CIP and the capital budget, commissioners, as you know, the Port engages in extensive planning to guide our work. This image tries to help piece all of these elements together, really starting with the strategic plan, which outlines the goals and objectives that we aim to implement, as discussed earlier this evening.

The waterfront plan details how we intend to use the waterfront in alignment with broader public goals and in keeping with our trust responsibilities. Taking these factors into account as well as available resources both internal to the Port and drawing in external funds, we then look at our capital planning.

And the 10-year capital plan, which you might recall, most recently identified a \$2.6 billion state-of-good-repair need whereas \$1.9 billion of that need remains unfunded. So we know that we're working with a constrained environment.

And the five-year CIP helps us bridge the gap in the timelines of this broader picture of what our needs are relative to available sources. And we start to get into the weeds of identifying specific projects that we want to implement over the next five-year window, align those with Port resources and also think about aspirational goals.

Which projects do we want to pursue specific grants or partnerships for? The CIP helps us really start to connect these dots, thinking about the work that Matt and Becca had presented earlier. The CIP brought us all together. And we really started to get into those details of looking at, what are our highest priorities? How are we thinking about our return on investment? How are we protecting our facilities?

So it's really important, special work for the Port. And also, the first two years of that CIP represents our capital budget. And that requires formal appropriation. So I think, going into that context, as I shared, the 10-year capital plan really does highlight this backlog where we think a lot about the funding dependencies that we have.

But also, just thinking about how the CIP is largely funded by net operating income, as Maks had presented, that is projected to narrow over time so all the more reason for us to be really focused on how our investments are going into the areas that we really believe matter most.

I am proud of the CIP to say that we were able to largely fund all of the highest priority projects that staff had identified. And so I guess just really, in terms of the overall framework, you'll see that this list of priorities matches exactly the priorities or at least many of them and, when it comes to picking projects, came from Becca's list of thinking about, you know, structural integrity of our substructures, protecting the envelopes of our superstructures, thinking about return on investment.

And that means, you know, both seeking new revenues as well as preserving what we're generating, selecting projects that help mitigate risk so removal of our dry docks as well as improving utilities. We actually make a good deal of investment in our utilities including replacing those that are under our piers and have more exposure to water.

We most certainly thought about that integration with the larger resilience program, thinking about what's the future of flood risk to various facilities. And I think this was alluded to earlier, I believe, in this previous item, thinking about

what is the resilience program delivering? And how do we coordinate between that work and what we're doing through the CIP?

I think Fisherman's Wharf Forward is probably the most robust example of that so far of -- we're both doing state of good repair. We're thinking about resilience from a flood standpoint and from a seismic standpoint so bringing all of those pieces of the puzzle together.

And then, system modernization -- it was referred to how difficult it is for staff to get good data We're very fortunate to have Maks, who is very, very good at managing data. But our systems are legacy. Many of them are ready to retire. So we are proposing investments that will help us replace those legacy systems and keep us operational as well as get us better information to improve our planning moving forward.

So much as I had shared previously with the budget overview slide, you know, this table breaks it out, really expanding the detail of our capital budget. You can see those elements of what are the specific sources as well as the proposed uses in these larger buckets.

So as I had mentioned earlier, the overall proposed biennial capital budget is \$123.6 million over the two-year window. Fund balance is the largest source although I am very happy that we do have some other incoming sources, you know, coming in.

You'll see the historic core IFD is a major win. This is where the 20th Street historic core is coming to roost. It is helping us now with supporting us in funding our capital. But we do have a number of these one-time sources that historic core IFD just does have that one-time boost because this is our first time appropriating funds that have accumulated over the last few years.

We anticipate that's going to stabilize to about \$1 million annually thereafter. And I'm very happy to say that we have \$1.3 million of interest earnings from the 2012 parks bond program that's going to be helping us out in this budget.

So to give you a bit of a visual snapshot of just everything that I just said, now you're seeing it in two pie charts. You can just see the magnitude of the contribution we're making with fund balance and the one-time source of the historic core IFD being more significant this time around.

I want to highlight just really how that historic core IFD is directly supporting the Port-wide investments. These are the state-of-good-repair, the backbone utility-type projects, our strategic investments.

And then, of course, we're using a significant chunk of our fund balance to complete removal of our dry dock so one of the biggest risk mitigation projects

that we can move forward with but also one of the biggest ones to help our waterfront evolve. Right. We talked about the future of that area and the opportunities it's going to generate by removing those aging assets.

This slide is an effort to show how our investments compare to the revenues generated by different areas along the waterfront. This was something that Commissioner Lee had really elevated as being interested in seeing. And I think that you might anticipate seeing investments that directly align with where the revenues are generated.

I encourage you to think about it a little bit differently where we're making investments where we really want to pull out that potential revenue, in particular Fisherman's Wharf. The investment here includes Fisherman's Wharf Forward. So historically, pre-pandemic, we generated upwards of 15 percent of our total revenues in that area.

But as a result of the pandemic and having so many restaurants close, we're now using our funds to try to address major state-of-good-repair needs, including \$35 million going into our Pier 45 west apron, which was one of those big red areas in Matt's presentation, as well as funds going into leverage our resilience program investments along Taylor Street, Jefferson Street and the Inner Lagoon areas in particular.

So my hope, with this significant investment, is to really elevate the revenues in the long term that we're going to be getting back out of Fisherman's Wharf. And I think the northeast waterfront is an example where we generate a lot of revenue but aren't actually making a ton of investments at this point.

I would say that, looking at the maps, we might find that we've had good partnerships with Hudson and with our Piers 1 through 5 where we've -- and the Exploratorium, where we've had those good partnership experiences that have addressed the major state-of-good-repair where the southern front and the northeast -- Fisherman's Wharf particular areas, that's where we've seen the greatest amount of deterioration. Now, we're trying to get our money into those facilities and hopefully get that revenue flowing.

Okay. So I've been talking a lot about putting money in place. So we're going to start spending. I want to make sure that we're also talking about our ability to deliver. And what I think this slide helps highlight is that, historically, the Port has not delivered high volumes of projects, right, as you can see.

You know, pandemic years were particularly tough. But I would say, as Director Martin had mentioned previously, pre-pandemic we didn't have a project management office really driving this work forward. Well, now we're really building those muscles.

And I would say that state stimulus dollars is really kind of forcing us because now the clock is ticking. We need to spend all of those funds by December of 2026. We've had a major coordinated effort across finance, engineering really to try to make sure that we're getting ready to get that money out the door and into our facilities .

But the really great thing is that it's helping us build, as I said, those muscles. We want to build a delivery program that we can sustain. While I like having money in the bank, I also really want money in our piers and making sure that we're addressing our facility needs so that we can continue to generate that revenue. It's a continuous cycle.

Okay. Maks had mentioned previously there were some capital positions. So as you can see in this chart, we're actually proposing seven new positions offset by one capital one position that's being eliminated. That particular position, as he had mentioned, is actually really being recategorized to operating. So it is a function that is continuing. We're just reclassifying it.

And in this case, as with the operating side, we've been looking at it closely and making sure that we're -- if we're putting positions in our budget -- because while we're facing austerity elsewhere in the city, we want to be able to really show that our investments align with the mayor's priorities and our own strategic goals.

And I think you can see that here with new positions that support safe and clean streets, excellent core services, city economy. This is really tied to, you know, a turning point in our resilience program, making sure we're staffing up. We have one position that really supports dredging. I think that we've found that we need additional resources to make sure that we're meeting all of our regulatory and operational requirements to make sure we're staying on time and on budget with our dredging program.

And furthermore, the substitutions largely -- while there's no net FTE there, we have made a number of substitutions to reflect the changing needs of our staff particularly when it comes to delivering our modernization of our systems. We have changed a number of positions to support IT, so we can deliver our Port modernization program.

Okay. Next up, I'm going to talk about the Port's alignment with our policies. And as you may recall, the Port has three main policies that we need to meet through our budget: the southern waterfront beautification fund, our operating reserves and our capital policy.

And I'm happy to say that we're thumbs up on all three. And with the southern waterfront beautification fund, we calculate this based upon 6 percent of our projected revenues in the southern waterfront. We've actually updated this number. I realize I didn't catch it on the slide. But it's closer to \$1.4 million.

And we're proposing to pre-fund that in this first year of the budget really so that we can use those funds to support the removal of the dry docks. But meanwhile, we have about \$10 million remaining in the southern waterfront beautification fund that we're using to deliver other beautification activities in parks and open spaces.

With the operating reserve, we're far exceeding the 50 percent requirement with 111 percent and 96 percent respectively in this biennial period. I think this is one I'll be interested to talk with the commission about. You may have noted in the previous presentation the concept of having strategic debt financing for our work.

I think this is sort of where I want to make a plug for -- we're presenting a plan for expenditures where we're really showing where we want to put our funds. But staff will be coming back in the coming months with a proposal to move forward with a financing package where we might actually preserve more of our fund balance, continue to earn that interest that Maks had referenced and, by having higher reserves, hopefully fetch a higher credit when we go out to the market and so really start to get the Port revenue bond program back up and running.

I think that we have a -- I don't know -- I want to say a once-in-a-lifetime opportunity. I don't know if the Port sat on this much cash previous -- before in our history. So we really do want to maintain that and have an opportunity to continue to earn that interest that will then offset the cost of our debt service. So that's a full package that we'll be bringing back soon.

But in the meantime, just rest assured our proposed budget does meet this requirement. And then, finally, for our capital policy, we are investing an excess amount of 70 percent and 36 percent of our operating revenues. We get this in two ways. It's a direct investment as well as the amount that we set aside in our net operating income.

We count that towards this policy saying we're generating a surplus. We're putting it aside. It will be for capital. But I will say that, a real positive turn for the Port will be the day when we dedicate truly 25 percent of our operating revenues directly to capital.

Okay. So then, to close us out, I just want to give you a big picture of our schedule. So staff had previously presented an informational item to the commission and to the public on January 27th really talking about our high priorities around budget.

Today, I hope you found all of this information around the details of our budget, what has changed, our staffing levels and the larger context of the mayor's instructions helpful. The city administrative code requires us to submit the budget by February 23rd. So staff intends to do that.

But we'll be here seeking formal approval of the budget on February 24th. To the extent any changes in the budget are requested at that point, staff will work with the mayor's office to reflect those changes. And then, through the finish line will be through capital planning committee on April 20th and then ultimately the mayor introducing budget to the Board of Supervisors by May 1st.

So I really appreciate your time. Maks and I are happy to answer any questions and engage in discussion. Thank you.

President Gilman: Thank you, Meghan. And thank you, Maks. Before we open it up for conversation, is there any public comment in the room on the Port's biennial budget? Ellen, come on up.

Public Comment on Item 10A:

Ellen Johnck: Thank you. Ellen Johnck, co-chair of the Port's maritime commerce advisory committee. Meghan, thank you so much. That was terrific. It was terrific. Just a little coalescence of thoughts after hearing both this plus the other two presentations and kind of my roundup of conclusions from this meeting -- I don't want you to lose track of three-year effort or more in the development of the waterfront plan.

I was on that and spent -- you know, it was fantastic planning. Diane Oshima, who may be listening online to this meeting, and several others in this room were on that, many members of the community -- and so much effort went into the strategic thinking about how we craft the implementation of that plan, financing, projects and particularly around the historic piers. And the fact that you mentioned the historic core is really doing well -- I mean, that is really music to my ears on hearing that. So I hope we can build on that.

And then, I guess the other point that I wanted to recall of work that I've done in the past with the Bay Coalition -- the Port of Oakland and working with the American Society of Civil Engineers, American Association of Port Authorities and figuring out ways to deliver projects, public-private partnerships -- remember, Meghan, when I ran that workshop on P4s, P3s?

That was how to corral civil works money. And it was more specific to Army Corps money. But we came up with some ideas on that which are still being implemented for infrastructure across the United States. And I'd like to see more policies and programming coming from the private sector into financing.

I read in the Times the volume of activity in muni bond financing. And why don't we have more of that integrated into Port projects and waterfronts? Remember the first -- I used to say the first and last mile of our entire transportation system in the United States is at a port.

And that's how we've, over the years, been able to finally get attention to financing and interest in supporting our waterfronts and our ports and our local community. So those are just a couple of my thoughts. Thank you.

Commissioners' Discussion on Item 10A:

Vice President Engblom: Meghan, Maks, thank you very much. It's a lot of information in here, a lot of good thinking. And I also don't want to miss the opportunity to thank Ellen. You know, we are really lucky to have engaged citizens like you not only for your -- you embody this length of knowledge about the history of what we've been through but also, I think, a very valuable suggestion.

And I want to kind of build on this. I mean, ultimately, I think it's kind of a theme that I'm building on all the reports that we heard today, all really good work. But I guess I want to -- it's not really so much about -- I don't have any like - - I feel like you've done a good job educating us that we have a good two-year outlook but that there's some concerns that maybe we have some structural deficiencies coming down the line.

So how do we use these two years to really identify if that's the case? Is it just a lapse in momentum? Does the real estate team and the maritime team have these, you know, kind of major projects that lift us up into the, you know, best-case scenario thing? And then, great. No issue.

But you know, we can't plan on that. So I think you've done a good job of identifying that there's potentially some structural issues. And I think, you know, what I hear in Ellen's suggestion and something that I was thinking about is that, you know, I think we celebrate a lot about our -- what the resilience program has done in terms of engineering and place-making really innovative thinking that we've brought to our waterfront.

But now, we really need to have some financial innovation about this because we can't -- I always get concerned that we talk about the fact that we're going to rebuild this in 20 years. It's like, well, 20 years -- that's too long. [laughs] I mean, we should be trying to figure out how do we do it faster. How do we do it?

And then, the fact that -- how long ago did that historic core -- you know, now, finally, we're getting some revenue. I mean, it takes 20-year thinking. So I think I would just like to put out -- I've sort of given a challenge to each of the presenters today.

But I would say, Meghan and Maks, like is there some financial innovation workshop that we could host that really brings that question to the market and say, you know, how do we take this -- you know, we're sitting with this incredible

Port fund. Should we deploying more of it to attract -- you know, I think you prompted that at the end, Meghan, what you were saying.

I'm glad you ended with that because I think we should be -- it's our fiduciary responsibility and our sort of responsibility according to our public trust is to really make sure that we're investing this at the proper pace, not sitting back and just getting -- just feeling lucky, and momentum's going to push us through. I don't want to be lucky. I want to be really on our front foot on all of this. That's my comments.

President Gilman: Thank you. Commissioner Adams?

Commissioner Adams: Excellent, report, Meghan. Maks, you tore it up, man. And also, I want to thank Jenica for setting up the meeting before we had the commission meeting. We had the three Ms on there. We had Meghan, Maks and Mike and me and Commissioner Lee. And we got to ask a lot of questions.

You know, I think, following up on Vice President Engblom, you know, a lot of times, you know, we, commissioners -- we ask questions. We may sound profound. But the thing is, you know -- and a question is a question. But the thing is the smartest person is those that have an answer and what we do.

And I think he laid out some stuff. And then, I was going to ask -- this blue economy incubator -- how long is something like that going to be -- you know, and I know that's something that Vice President Engblom is big on. And then, we're talking about another cruise terminal. But I'm just talking about -- and I think we -- I think there's a lot more discussion that has to happen.

And I'm going to ask you, Mike, if there's something -- and then, [Meghan can go into] -- if there was something that you would want us commissioners to understand after going through this budget, what is it that we need to understand? Because sometimes we can miss something.

What is it that we need to understand? Because the way it was laid out -- I mean, it was immaculate. It was impeccable and everything. But I think some good questions have been asked. So what is the one thing that we need to understand?

Acting Director Martin: Commissioner Adams, I think you and Commissioner Engblom both hit on the thing that I would want to come across after today. And that's that the Port is not a static entity in any way, that we can't just sit back and say we're doing okay, that we have to push out and really look at how can we make more money in these opportunities that we have.

Not all of them are going to pay off in the short term. But as we talked about the diverse Port, I think we have to push across the whole gamut including cruise, including Fisherman's Wharf Forward, which we hope will unlock -- you

know, that street of Taylor Street, when I came to the Port, was a huge revenue generator for us. It is not that anymore.

Commissioner Adams: Right.

Acting Director Martin: And so we can't rest on where we are. So I think it's not just in getting more tenants and not just putting the onus on real estate and maritime to develop that business. But what Meghan has described about debt -- so in a past life, I was a bond lawyer.

So I very much saw a lot of different municipal entities trying to debt finance things for good and for ill. And the thing about the Port is we're a weird credit. You know, people say, "You're a port. What's your cargo revenue?" And so the credit rating agencies never really knew how to deal with us.

But they do now. And our rating has improved over time. And I think our fund balance helps that. So I think most large entities have a cash-funded capital program but also a debt-financed capital program so that they can have that balance and diversity.

So that's something -- you know, the thinking is not done. It's not part of the budget. But we want to come back to you and show our innovating. I think Commissioner Engblom has made a few comments about project delivery. It's something we think a lot about because -- you saw the graph that Meghan put up about how many projects we're about to deliver. That was a huge effort.

And the thing about our projects, unfortunately, is that a lot of them are -- you know, to us, they're big. But dollar amount, they're not very large. So you're not necessarily going to get a lot of bang for the buck of sort of a new way to deliver a project when it's a smaller project.

But the idea is, if we're looking across the portfolio, can we bundle them? I don't know if you recall. We bundled Pier 9 and Pier 33 roof and work with DPW to help us deliver that project. As I mentioned earlier, the charter reform where the city administrator is going to take a larger centralized role in capital project sort of oversight and what that form takes I think could be a real help for us in terms of having some good interplay of thinking.

And also, potentially, there are places where we, as a small shop, may not be the best deliverer of something. You know, we talk about the resilience program, multi-billion-dollar program. You see our budget: \$100-plus million. Like those are two different scales.

So we're in a fascinating moment at the Port where we're going to have to both manage who we are as the small boutique port but also grow into what the city needs us to be. So everything you've said today I've written down. They're great things for us to grab onto.

And to your point about the smartest person has answers, unfortunately I'm not that person today. [laughter] But what we do want to do is keep working with you on it because we have threads that we think are good to pull. And so you heard a bunch of them today. But we welcome more of them as we continue to engage with you.

And this is not going to be a budget where we just put it on the shelf and follow through on it. It's going to be continually dynamic and being reformulated every day.

Commissioner Adams: Thank you.

President Gilman: Thank you, everyone. Thank you so much for all the work. And thank you, Maks and everyone, for your presentation. It was really, really riveting. And I just had a question just because it sort of fascinated me. It was in the staff report just because I'm curious about how you did it.

It was on page 14 when you were talking about the staffing changes, which I totally support. But I mean, it's a very small line item in the midst of six million. But you have 13 promotions of staff. And so I was just cur -- only because I love staff promotion. I think it goes to good morale. I think it goes to good culture, which I think is strong at the Port.

I was just curious, is that people who are in the pipeline for promotions and they just won't hit until the fiscal changeover? Is that a goal? I was just curious like sort of how that came up.

Maksim Zherebin: So the folks who are bundled in the promotions group are those that we have already at the Acting Director Martin. And we'd like them to compete for a promotional opportunity.

President Gilman: Got it. Okay. Thank you. Under civil service.

Maksim Zherebin: Yes. Yes.

President Gilman: Okay. Thank you. No. That's great. So again, I think that's really great that we're having this sort of internal pipeline. So it means that there will be 13 positions that -- it could be 40 people applying for 13 slots. Okay. I just want to make sure I understood. Thank you so much. I appreciate that.

And the only other thing I would add too -- and something, Mike, that you said, you know, if the charter reform goes through because you kn -- I'm assuming you're talking about the ballot initiatives that are being proposed.

Acting Director Martin: Correct.

President Gilman: I wonder if there's -- whether they move through or not, it was something that you said. I wonder if there's a way to consider -- and hopefully, this will give us more flexibility particularly on our capital maintenance side. And I was also thinking about just like from a sewer perspective when we first had the first presentation.

I wonder if there's a way we could ever co-issue a request for work with another department and bundle other city projects for economy of scale. So if PUC or someone else was doing a project -- just something to think about. It could help us from a staff management perspective from issuing the RFP. It could cut down on workforce hours.

But maybe that's also a way in the future that we could look for economies of scale and cheaper pricing from vendors if it's coupled with a lar -- like if we're like a small niche of a larger project taking place within the city. You just spurred my thoughts.

I just wanted to throw that out there as something maybe to think about because, you know, particularly around some of the stuff we saw on the initial report, you know, around sewer lines, around electricity. Maybe there's a way the PUC could be a good partner.

Acting Director Martin: So we actually did just that for the Amador Street project. PUC had a water line project that was on their capital plan that we worked with them to pull forward into our grant-funded project. That was a fair amount of work in terms of aligning our timing and approach.

But it is resulting in a much better project because of it. And so I think it's work well considered in the right opportunities. I think there's also a number of conversations we can have with the city about unaccepted streets on our property that are able to be accepted.

It is a tough time to have that conversation with the city with their challenged general fund budget conversation. So it's one where we're trying to approach thoughtfully. But I think that is an ongoing effort because we s -- we don't see ourselves as the right entity to do all the things we do.

Our maintenance division does fantastic work. And I really appreciate all the work they do. But that is something where, if you're right-sizing the Port for the future, that would be something we really would want to look at.

President Gilman: Okay. Just an idea. Well, thank you, everyone, for the amazing presentations today and really letting us know where we stand both from an operation and a capital perspective. They were great staff reports. Jenica, next item, please.

11. NEW BUSINESS

Commissioner Adams: Two things. Mike, can we get an update on The Waterfront Restaurant because it did close. Right? Can you talk about it? Am I speaking out of turn?

Acting Director Martin: We're happy to give an update. It did close. We're moving ahead with offering it. But we'll be happy to bring back an update for you.

Commissioner Adams: Okay. And then, the second thing -- and I hope that I can get the support of my two leaders here, the president and vice president. I would like us to do a rededication of the Port. Rededicate -- it's been a long time. And we need to do -- I would like to see us have like a ceremony that we rededicate the Port as we're moving forward into the future.

Acting Director Martin: Okay. I'll take that down. And I'll talk more about what you're envisioning. That sounds great.

President Gilman: Yeah. I would love to learn more too, Commissioner Adams. Absolutely.

Commissioner Adams: Just a rededication and the commitment because we're going to d -- new direction, a new time. And how long has it been since we've had -- you know, like when the Port was dedicated. Right. And sometimes, years, centuries go by. And the Port's never been rededicated before.

And I think we should do it in 2026, that we should rededicate the Port of San Francisco and have a ceremony and do it and invite the public out. This is their Port. And we're making a rededication to the Port of San Francisco. Vice President Engblom kind of gave me the idea because he's talking about a lot of this stuff. He just said something about 20 years.

Well, we're not going to be here. [laughs] But if we do, we're going to be old. Right. But I just wanted to say I think a rededication service would be right on time. And I think the mayor -- I don't know. But I just think it would be good for the Port. And it just keeps it at the forefront that we're all committed and where everybody -- we're going in the same direction.

Acting Director Martin: Thank you for that.

President Gilman: Okay. I don't hear any new business or nothing else. Can I have a motion to adjourn?

12. ADJOURNMENT

ACTION: Commissioner Adams moved to adjourn the meeting. Vice President Engblom seconded the motion. All commissioners were in favor.

Gail Gilman, Stephen Engblom, Willie Adams – present and in favor

Steven Lee – absent

The meeting was adjourned at 6:09 p.m.