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

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

For the Years Ended
June 30, 2026 and 2025

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
For the Year Ended June 30, 2026 and 2025

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port Commission, operating as the Port of San Francisco (Port), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements of the Port are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and major enterprise fund of the City that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2026 and 2025, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, effective July 1, 2024, the Port adopted the provisions of Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*.

Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2026 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Walnut Creek, California
October 23, 2026

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2026 and 2025

Introduction

This discussion is a narrative overview and analysis of the financial activities of the Port of San Francisco (Port). The narrative serves as an introduction to the audited financial statements, which can be found on pages 28 to 33 of this report. This overview should be read in conjunction with the more detailed information contained within the accompanying financial statements.

The Port is a self-supporting enterprise department of the City and County of San Francisco (City). Its financial results are included in the City's basic financial statements. Only Port accounts are included in the financial statements that follow. The Port Commission is responsible for seven and one-half miles of waterfront property, which was transferred in trust from the State of California to the City in 1969. The Port's revenue is derived primarily from property leasing to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise, and other maritime activities. Additional information concerning the Port's organization and the basis of the presentation for this financial report is contained in Note 1 and Note 2 to the financial statements on pages 34 to 40.

Financial Statement Overview

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes follow the financial statements and can be found on pages 34 to 84 of this report. The supplemental schedules of this report provide additional information about South Beach Harbor (SBH).

Certain reclassifications have been made to prior-year amounts to conform to the current year's presentation and changes with the implementation of a new Governmental Accounting Standards Board (GASB) standard. In addition, certain restatements have been made to prior-year amounts to conform to the implementation of the new accounting principle on compensated absences.

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

Condensed Financial Summary – Port of San Francisco

Comparative Net Position (in thousands)

	June 30,				
	2026	2025	2024 (As Restated)*	2026-2025 Change	2025-2024 Change
Current and other assets	$ 1,059,325	$ 1,105,239	$ 975,122	$ (45,914)	$ 130,117
Capital assets	657,497	643,330	492,073	14,167	151,257
Total assets	1,716,822	1,748,569	1,467,195	(31,747)	281,374
Deferred outflows of resources	27,698	27,006	26,613	692	393
Current liabilities	49,837	53,961	40,203	(4,124)	13,758
Noncurrent liabilities	244,707	291,883	311,832	(47,176)	(19,949)
Total liabilities	294,544	345,844	352,035	(51,300)	(6,191)
Deferred inflows of resources	440,616	465,002	517,633	(24,386)	(52,631)
Net position:					
Net investment in capital assets	494,086	472,686	317,705	21,400	154,981
Restricted	144,206	149,524	34,093	(5,318)	115,431
Unrestricted	371,068	342,519	272,342	28,549	70,177
Total net position	$ 1,009,360	$ 964,729	$ 624,140	$ 44,631	$ 340,589

*Certain restatements have been made to conform to the implementation of the new accounting principle on GASB Statemen No. 101, Compensated Absences.

Changes in Net Position (in thousands)

	Year Ended June 30,				
	2026	2025*	2024 (As Restated)**	2026-2025 Change	2025-2024 Change
Revenues:					
Operating revenues	$ 138,665	$ 133,015	$ 134,788	$ 5,650	$ (1,773)
Nonoperating revenues and Unusual or infrequent item:					
Noncapital subsidies from others	30,041	3,361	11,737	26,680	(8,376)
Other nonoperating revenues	72,144	324,224	60,079	(252,080)	264,145
Unusual or infrequent item	-	51,618	3,882	(51,618)	47,736
Total nonoperating revenues and infrequent item	102,185	379,203	75,698	(277,018)	303,505
Total revenues	240,850	512,218	210,486	(271,368)	301,732
Expenses:					
Operating expenses	182,488	150,565	143,589	31,923	6,976
Nonoperating expenses					
Noncapital subsidies to others	5,600	4,652	11	948	4,641
Other nonoperating expenses	8,131	16,412	4,622	(8,281)	11,790
Total nonoperating expenses	13,731	21,064	4,633	(7,333)	16,431
Total expenses	196,219	171,629	148,222	24,590	23,407
Change in net position	44,631	340,589	62,264	(295,958)	278,325
Net position, beginning of year, as previously reported	964,729	624,140	565,654	340,589	58,486
Cumulative effect of accounting change	-	-	(3,778)	-	3,778
Net position, beginning of year, as restated	964,729	624,140	561,876	340,589	62,264
Net position, end of the year	$ 1,009,360	$ 964,729	$ 624,140	$ 44,631	$ 340,589

*Certain reclassifications have been made to conform to the current year's presentation including the implementation of GASB Statement No.103, Financial Reporting Model Improvements.

** 1) Certain restatements have been made to conform to the implementation of the new accounting principle on GASB Statement No.101, Compensated Absences.

2) Certain reclassifications have been made to conform to the current year's presentation due to implementation of GASB Statement No.103, Financial Reporting Model Improvements.

Financial Analysis

Fiscal year 2025-26 was characterized by innovation, forward-thinking, economic activation, and resiliency.

- Fisherman's Wharf Forward is an example of forward thinking, as the Port pursues an investment program designed to take first step towards addressing seismic and flood vulnerabilities while also making tactical investments to improve commercial prospects as the Wharf continues its recovery from the recent economic and tourism downturns. During the past fiscal year, from the progress with the demolition of Alioto's Restaurant and construction of a new public plaza, the completion of the new viewing deck on the west side of the Inner Lagoon, to leasing vacated restaurant spaces and ongoing activations along the Embarcadero Promenade, the neighborhood is showing signs of renewal. The return of visitors is a demonstration of the Wharf's resurgence. The Port is committed to the next phase of revitalization in rebuilding the shoreline of the inner lagoon and reconfiguring the land and waterside facilities. Design and community engagement is proceeding with a goal of breaking ground before 2030. In fiscal year 2025-26, the Port invested $8,052,000 in capitalizable and non-capitalizable projects related to Fisherman's Wharf.

- The Port partnered with the United States Army Corps of Engineers (USACE) to conduct the San Francisco Waterfront Coastal Flood Study, during which the Port and the USACE examined flood risk due to coastal storms and sea level rise along San Francisco's 7.5-mile waterfront for the study period of 2040 through 2140. The final publication of the San Francisco Waterfront Coastal Flood Study ("Flood Study") in July 2026 marks the conclusion of 12 years of coastal flood risk study with USACE, beginning with the Continuing Authorities Program (CAP) 103 Study initiated in 2014, which provided the preliminary federal interest finding, and continuing through eight years of work on the Flood Study. This is an important milestone for advancing the Port's Waterfront Resilience Program into further design and eventually construction of a resilient shoreline to protect the City along Port property. To date, the Port has provided both work in kind and cash contributions totaling $8,413,000, of which $904,000 was provided during fiscal year 2025-26.

- Throughout the year, the Port's economic activation efforts continued to bring the public back to the waterfront, hosting events such as Fleet Week, the Pier Party at the Wharf music series in the heart of Fisherman's Wharf, the Portola Festival at Pier 80, Super Bowl 60, New Year's Eve celebrations, JP Morgan Corporate Challenge, Dreamfest at Bayfront Park, Pop-Ups on the Plaza at the Ferry Building, Youth Community Festival, health summit, tech conferences, and numerous other community and celebratory events. The Port continues to serve an economic engine of the City, attracting commercial and public gathering activities that spin off spending and new opportunities beyond the Port's own portfolio. These events and activation efforts generated $2,060,000 in special event revenue for the Port and more in economic activity for the City in fiscal year 2025-26.

- The Port continues advancing facility improvements along the shoreline with grant funds received during the pandemic and grants awarded from various agencies. Projects include marine demolition and mattress installation phase of the Mission Bay Ferry Landing project, the purchase of a new Crane Barge, maintenance dredging at various locations, projects to modernize Pier 80, and Amador Street improvements to better serve the Port's building materials tenant businesses at Piers 90 and 92. These efforts will support the growth of the waterfront and reinforce the Port's commitment to a thriving, dynamic, resilient, and welcoming waterfront for all.

- In July 2026, the Port formally initiated a program to foster and cultivate a blue economy ecosystem. This initiative aims to attract new Port tenants aligned with the Port's mission in fields including clean energy, sustainable maritime operations and fishing, ecotourism and ocean and Bay health. The program has formalized leasing incentives the Port will use to grow its partnerships with these exciting entrepreneurs and early-stage companies to benefit our leasing portfolio and the broader maritime sector. The intent is to grow the program from there, developing land- and waterside facilities to incubate new companies and establish partnerships to grow the program and create the working waterfront of the future.

The Port's total net position on June 30, 2026, was $1,009,360,000, an increase of $44,631,000, or 4.63% from June 30, 2025. Comparatively, the net position increased by $340,589,000, or 54.57% in fiscal year 2024-25, and $58,486,000, or 10.34% in fiscal year 2023-24. The largest portion of the Port's net position is its net investment in capital assets: 49% as of June 30, 2026, compared with 49% as of June 30, 2025, and 51% as of June 30, 2024. This component consists of capital assets net of accumulated depreciation and amortization, reduced by the outstanding debt attributable to acquiring, constructing, or improving those assets. As of June 30, 2026, the Port's net investment in capital assets was $494,086,000, representing funds not available for future spending. The resources needed to pay outstanding debt used to acquire capital assets must be provided from other sources (i.e., other Port assets or operating revenues). The remaining net position on June 30, 2026, includes $144,206,000 restricted for specific capital project expenditures and $371,068,000 that is unrestricted and available to meet future capital requirements and ongoing obligations. Capitalized project expenditures have fluctuated in recent years.

Comparative Net Position[1]

In fiscal year 2025-26, the Port's net position increased by $44,631,000, reflecting several significant financial developments during the year. First, the increase was driven by higher grant revenues. Port recognized $27,082,000 in non-capital and capital grant subsidies associated with several major capital improvement initiatives, including the marine demolition and mattress installation phase of the Mission Bay Ferry Landing project, Amador Street improvement projects, and certain projects to modernize Pier 80. In addition, the Port spent $40,934,000 in COVID-19 State stimulus funding received during the pandemic and administered by the State Lands Commission for eligible capitalizable projects and various facility upgrades and purchase during the fiscal year. The spending of these funds on eligible activities resulted in increased grant revenues being recognized, additional capital assets, and a reduction in unearned grants in the fiscal year. These funding sources provided substantial support for the Port's ongoing capital programs and contributed to the growth in net position in fiscal year 2025-26. Second, the Port recognized interest and investment income of $32,042,000, primarily from interest earnings reported from cash and investments held in the City Treasury. Consistent interest rates during the fiscal year, combined with a stable cash balance supported by operating revenues, grants, and prior year capital contribution from the City's issuance of the 2018 Embarcadero Seawall Earthquake Safety Bond (Seawall Bond), continued to generate interest revenues and provide an additional contribution to the increase in net position. Third, the Port received $5,488,000 in various settlement proceeds associated with the recovery of the Port's historic costs and property damage. These settlements provided more sources of revenue and further strengthened the Port's net position.

[1] The key events highlighted are significant contributors and main business events that contributed to the change in net position; they do not encompass all factors influencing the total change. Other financial transactions also play a role in the overall change but are not key event drivers.

The following sections present a detailed analysis of each financial component contributing to changes in net position.

Current and Other Assets – Current and other assets decreased by $45,914,000, or 4.15% in fiscal year 2025-26, including a net decrease in current assets of $25,214,000 and a net decrease of $20,700,000 in other noncurrent assets.

The $25,214,000, or 3.71% net decrease in current assets was primarily from a decrease of $44,644,000 in restricted cash and investments held in the City Treasury, principally due to cash outflows across various capital and non-capital projects during the fiscal year. The decrease largely reflects spending of COVID-19 State stimulus funds received during the pandemic. In addition, bond proceeds were utilized for bond-funded capital projects, most notably the Waterfront Resilience Program, which included costs related to the design of early projects and initial construction costs. Other decreases included a $3,839,000 decrease

in restricted cash and investments held outside City Treasury. Restricted cash and investments held outside City Treasury were used to retire part of the Series 2013B and Series 2013C Certificates of Participation. These decreases were partially offset by an $18,642,000 increase in grant receivables largely attributable to higher spending on various grant-funded projects, which resulted in increased reimbursement requests to the grantors. Unrestricted Cash and investment held in City Treasury increased by $1,724,000. Fluctuations in unrestricted cash and investments held in City Treasury are attributable to various factors including tenant deposits, parking meter and parking fine revenues, one-time settlements, interest and investment earnings, salary, and vendor payments. Comparatively, in fiscal year 2024-25, the net increase in current assets of $173,846,000, or 34.33%, was primarily due to an increase of $103,441,000 in restricted cash and investments held in the City Treasury because of capital contribution from the City's third issuance of the 2018 Seawall Bond to advance the design of early projects and initial construction costs of the Seawall project. Other increases include a $65,842,000 growth in unrestricted cash and investments held in the City Treasury principally from cash collections from tenants and insurance proceeds related to the warehouse fire at Pier 45 in 2020, and a $4,830,000 increase from other City funds as a result of repayment of the promissory notes from Mission Rock Community Facilities District and Infrastructure Financing District that covers the Historic Core at Pier 70, Sub-Project Area G-1. These increases were offset by a decrease of $2,366,000 in lease receivables. The $20,700,000 net decrease in other noncurrent assets was primarily attributable to a reduction in long-term lease receivables mainly resulting from lease payments.

Capital Assets – There was a net increase in capital assets of $14,167,000, or 2.20% in fiscal year 2025-26 and a net increase in capital assets of $151,257,000, or 30.74% in fiscal year 2024-25. The funding for the acquisition and construction of capital assets, such as facility improvements, is reflected in the sources and uses of working capital and changes to liabilities and other obligations. Grants and other capital contributions also fund certain capital projects. In recent years, the Port has expanded and enhanced its capital assets base through a combination of developer-funded improvements and external grant funding. Developer contributions, including improvements to Port-owned land and related infrastructure, have supported the continued development of capital assets. In addition, the Port has secured various grants and utilized stimulus funding received during the pandemic to finance capital improvement projects, including construction phase of the Mission Bay Ferry Landing project, improvements to Amador Street and its utility infrastructure, and modernization projects at Pier 80.

Deferred Outflows of Resources – In fiscal year 2025-26, total deferred outflows of resources increased by $692,000, or 2.56%. The net increase is primarily from changes in pension and Other Postemployment Benefits (OPEB) based on actuarial estimates. Other change included amortization of debt refunding loss. Comparatively, in fiscal year 2024-25, total deferred outflows of resources increased by $393,000, or 1.48%, from changes in pension and OPEB based on actuarial estimates.

Current Liabilities – Current liabilities decreased by $4,124,000, or 7.64%, as of June 30, 2026, primarily attributable to a $7,610,000 decrease in current pollution remediation obligations. This decrease resulted from changes in the estimate of the current obligation and substantial completion of the marine demolition and mattress installation phase of the Mission Bay Ferry Landing project. The Port was also released from an originally anticipated obligation resulting from a settlement reached associated with the Hyde Street Harbor Fuel Dock fuel pipeline release (Note 14). Other decreases included a $1,740,000 decrease in accrued payroll resulting from fewer accrued pay periods in the current fiscal year. The net decrease in current liabilities was partially offset by a $4,315,000 increase in accounts payable and accrued expenses from the timing of payments for various operating and capital activities. Comparatively, the $13,758,000, or 34.22% increase in current liabilities as of June 30, 2025, was mainly attributable to a $7,133,000 increase in accounts payable and accrued expenses from timing of payments for various operating and capital activities and a $5,305,000 increase in current pollution remediation obligations, primarily resulting from a change in estimates related to Mission Bay Ferry Landing project including the removal of marine debris at Pier 64 (Note 14). These were offset by a decrease of $924,000 in rent credits due to tenants.

Noncurrent Liabilities – Noncurrent liabilities in fiscal year 2025-26 decreased by $47,176,000, or 16.16%. The decreases included a $40,934,000 decrease in unearned COVID-19 State stimulus grant revenue resulting from grant revenue recognized to fund capital projects during the fiscal year, a $7,291,000 decrease in long-term debt obligations due to scheduled debt service payments made, including additional payments made resulting from the debt refunding activities, and a $2,052,000 decrease in lease liabilities due to lease payments made during the fiscal year, which reduced the outstanding lease obligation. These decreases were offset by a $2,718,000 increase in net pension liability and a $1,241,000 increase in net OPEB liability. Comparatively, in fiscal year 2024-25, noncurrent liabilities in fiscal year 2024-25 decreased by $19,949,000, or 6.40%. The decreases included a $12,053,000 decrease in unearned COVID-19 State stimulus grant, resulting from grant revenue recognized to fund capital projects expenditures during the fiscal year, a $4,500,000 decrease in long-term pollution remediation liabilities, long-term obligations due to change in estimates that reclassified portions of the obligation as short-term in relation to Mission Bay Ferry Landing project (Note 14), a $3,454,000 decrease in long-term debt obligations due to scheduled debt service payments made, a $1,777,000 decrease in lease liabilities, and a $1,640,000 decrease in rent credit due to tenants as a result of amortization of these credits. These decreases were offset by a $3,109,000 increase in net pension liability.

Deferred Inflows of Resources – In fiscal year 2025-26, total deferred inflows of resources declined by $24,386,000, or 5.24%, primarily from systematic recognition of lease revenues. Other changes were driven by fluctuations in actuarial valuations for pension and OPEB liabilities, and debt refunding activities related to the issuance of the series 2025R2 and R3 Certification of Participation. Comparatively, in fiscal year 2024-25, total deferred inflows of resources declined by $52,631,000, or 10.17%, The changes were driven primarily by fluctuations in actuarial valuations for pension and OPEB liabilities, combined with systematic recognition of lease revenues.

Changes in Net Position

Operating Revenues – Operating revenues in fiscal years 2025-26 and 2024-25, combined with grants, supported current-year operation and maintenance expenses before depreciation and amortization.

The statement of revenues, expenses, and changes in net position on page 31 presents the Port's operating revenues in more detail by industry revenue types. Total operating revenues of $138,665,000 for fiscal year 2025-26 represent a $5,650,000, or 4.25% increase from fiscal year 2024-25. This is primarily driven by other commercial and industrial revenues, parking revenues, and cruise revenues. Comparatively, total operating revenues of $133,015,000 for fiscal year 2024-25 represented a $1,773,000, or 1.32% decrease from fiscal year 2023-24. This was primarily driven by other operating revenues and commercial and industrial revenue.

Commercial and industrial revenue increased in fiscal year 2025-26 by $3,098,000. Variations in base rent and percentage rent revenues are influenced by factors such as estimated uncollectible accounts, rent credits issued to tenants, the initiation and termination of tenant leases, fluctuations in percentage rent tied to customer sales, and increases in minimum or base rent rates based on contractual agreements or changes in the consumer price index. Two notable increases contributed to the overall growth in revenue in this fiscal year: the first resulted from a prevailing market rate adjustment that occurred in the 16th year of a tenant's license, the second was attributable to an increase in another tenant's net income and cash flow, which resulted in higher percentage rent paid to the Port. Comparatively, commercial and industrial revenue decreased slightly in fiscal year 2024-25 by $1,381,000. Overall, the revenue remains relatively stable compared to fiscal year 2023-24.

Parking revenues, which include lots leased to parking operators, parking stalls, parking meters on Port streets, and fine revenues collected by the City on Port property, continued to increase by $1,779,000 in fiscal year 2025-26. The increase was primarily due to higher parking meter revenues. The rise in revenue was mainly attributed to increases in Port activations, secondary events related to Super Bowl 60, growth of conferences in the city, and upticks in tourism and visitors to San Francisco. These events, along with improved economic conditions, also led to increased parking lot revenues. Comparatively, parking revenues increased by $1,333,000 in fiscal year 2024-25. The increase was primarily due to higher collections of parking fines and meters, driven by several factors, including the transition from pay-by-space to pay-by-license, increased parking demand from economic recovery and more events, as well as the implementation of on-demand pricing, which raises rates during peak times and special events. These increases were offset slightly by decreases in rental revenues from parking operators and parking stalls.

Cruise revenues increased by $1,037,000 in fiscal year 2025-26, primarily due to lower revenues in the prior fiscal year resulting from a one-time credit related to cruise operations at Pier 80 and Pier 30-32. The increase was also attributable to higher passenger counts. Cruise revenues were $9,503,000 in fiscal year 2025-26, $8,466,000 in fiscal year 2024-25 and $9,428,000 in fiscal year 2023-24. Passenger counts rose to 376,000 in fiscal year 2025-26 from 369,000 in fiscal year 2024-25 and 365,000 in fiscal year 2023-24. While passenger counts have steadily grown, the number of cruise calls has slowly declined. 88 cruise calls were in fiscal year 2025-26 compared to 90 cruise calls in fiscal year 2024-25 and 95 cruise calls in fiscal year 2023-24. This inverse relationship of growing cruise passenger counts and declining cruise calls is possible due to the growing size of vessels calling in San Francisco. Comparatively, cruise revenues decreased by $962,000 in fiscal year 2024-25 primarily due to a one-time credit related to cruise operations at Pier 80 and Pier 30-32. Other fluctuations in revenues were attributed to increased passenger counts.

Other operating revenues include construction and event permit fees, one-time transaction fees, settlements, and expense recoveries realized or realizable from significant development projects. These revenues fluctuate from year to year since they are primarily derived from construction activities on Port property and are subject to the timing of specific project transactions. In fiscal year 2025-26, other operating revenues increased by $541,000, primarily due to an increase in one-time settlements received in connection with the Hyde Street Harbor Fuel Dock fuel pipeline release and damage to Pier 27 caused by a tenant during docking activities. The increases were partially offset by reduction in reimbursable costs from the Infrastructure Financing District (IFD) covering the Historic Core at Pier 70, Sub-Project Area G-1. The cost recovery was related to historical costs incurred by the Port for the relocation of electrical systems to Building 102 at the project site. Other fluctuations were attributable to lower development-related expense recoveries. Comparatively, in fiscal year 2024-25, other operating revenues decreased by $2,072,000, principally due to a decrease in revenue from developer-related expense recoveries. Phase 1 of the Pier 70 project reached a significant milestone in spring 2024 with the Port and City's acceptance of the completed horizontal improvements.

Other fluctuations in operating revenues included other maritime revenue, cargo revenue, fishing revenue, and harbor revenue, which remained stable in the current fiscal year. Cargo revenue decreased by $492,000. The decrease in cargo revenue was primarily due to a combination of factors, including fluctuations in cargo volume moving over the dock and cargo storage on the dock, credits issued to a tenant, and lower base rent resulting from water leakage. Harbor services revenue decreased by $174,000. Harbor services revenue fluctuates depending on leases renewed and terminations during the fiscal year from South Beach Harbor operations. Other maritime revenue decreased by $87,000 primarily due to fluctuations in excursion facilities rental, lay berthing activities, landing fees, and other dockage charges. Other factors were driven by an increase in base rental rates, changes in estimated uncollectible accounts, and the commencement and termination of leases. Fishing revenue decreased by $52,000 due to factors including the number of permanent berth holders, estimates of uncollectible accounts, and credits issued to eligible tenants. These credits were issued after state wildlife regulators closed the commercial salmon season, resulting in a tenant relief program to support and sustain the health of the fishing fleet in fiscal year 2025-26.

Comparatively, in fiscal year 2024-25, Other maritime revenue increased by $2,465,000 primarily due to higher excursion revenues, lay berthing activities, and more landing fees. This growth was driven by several factors, including increased rental rates, a decline in estimated uncollectible accounts, the commencement of new leases, and a one-time catch-up from retroactive service revenue. Harbor services revenue increased by $171,000 primarily due to a rental rate increase. Cargo revenue decreased by $758,000. The decline is due to decreases in wharfage of $258,000, demurrage of $247,000, and cargo facilities of $289,000. Fishing revenue decreased by $569,000 due to factors including a declining number of permanent berth holders and increased estimates of uncollectible accounts.

Nonoperating Revenues and Unusual or Infrequent Items – Nonoperating revenues are defined as non-capital and capital subsidies received, revenues related to financing, resources from the disposal of capital assets and inventory, and investment income. Unusual or infrequent items are transactions and events that are either unusual in nature or infrequent in occurrence. Noncapital subsidies include grants, which fluctuate year over year and consist of financial assistance or contributions received from various agencies for purposes such as access improvements, emission-free ferry system, maritime or environmental activities, and emergency-related cost recoveries. Grants usually consist of funds from federal, state, and local grant agencies, which provide funding for several of the Port's operating and capital projects. This revenue source fluctuates based on available grant funds and the capital work in progress at the Port. Other nonoperating revenues and unusual or infrequent items include interest and investment income, capital subsidy grants,

insurance settlements, gains from disposal of assets, credit auction proceeds gained from the Port's participation in the San Francisco Public Utilities Commission's Hetch Hetchy Power low-carbon fuel standard partnership program, and capital contributions. Other nonoperating revenues and unusual or infrequent items tend to fluctuate widely based on largely non-recurring transaction activities or events. Investments are reported at fair value, and the corresponding change in fair value is reported along with interest and investment income. Capital grants and capital contribution revenues fluctuate with the level of capital grant revenues realized from grant-funded construction activities. Historically, capital contributions have also included the City's direct contributions for certain projects and general obligation bond proceeds allocated to fund the Port's open space and park improvement projects, and seawall projects. In recent years, capital contributions have included additional bond proceeds allocated to fund improvements to the Embarcadero Seawall and related infrastructure, as well as the acceptance of Mission Rock Phase 1 horizontal infrastructure and Bayfront Park from developers.

Nonoperating revenues and unusual or infrequent items decreased by $277,018,000, or 73.05% in fiscal year 2025-26 primarily due to a $152,328,000 decrease in capital contributions from developers. This decrease resulted from the Port's acceptance, in the prior fiscal year, of the horizontal infrastructure constructed by Mission Rock developer and acceptance of the Bayfront Park improvements as part of the Mission Bay project led by the Office of Community Investment and Infrastructure (OCII). Additionally, capital contributions from the City decreased by $119,626,000 due to the City's third issuance of the Seawall Bond in the prior fiscal year, which supported program advisory services, early projects, and the San Francisco Waterfront Coastal Flood Study general investigation. Other decreases included the recognition, in the prior fiscal year, of $51,618,000 in insurance proceeds settlement related to loss from the warehouse fire at Pier 45 that occurred in 2020, and a $4,736,000 decrease in interest and investment income, primarily due to fluctuations in unrealized gains and losses on investments. These decreases were partially offset by a $52,502,000 increase in non-capital and capital grant subsidies, primarily attributable to grant revenue recognized in the current fiscal year. This increase included cost reimbursements from San Francisco Bay Area Water Emergency Transportation Authority (SF Bay Ferry) related to the Mission Bay Ferry Landing project, grant funding for several major capital improvement initiatives, and the recognition of additional advanced COVID-19 State stimulus funding for eligible capital projects and various facility upgrades.

Comparatively, nonoperating revenues and unusual or infrequent items increased by $303,505,000, or 400.94% in fiscal year 2024-25 primarily due to a $47,736,000 increase in insurance proceeds settlement related to loss from the warehouse fire at Pier 45 that occurred in 2020. In addition, interest and investment income increased by $6,676,000 from more interest earned on higher cash balances held in the City, and net unrealized gain. Capital grants and contributions increased significantly by $261,913,000, or 1,102.70% in fiscal year 2024-25. The increase is due primarily to a $139,645,000 increase in other contributions from developers, resulting from the Port's acceptance of the horizontal infrastructure constructed by Mission Rock developer and acceptance of the Bayfront Park improvements as part of the Mission Bay project led by OCII. Additionally, a $119,626,000 increase in capital contributions is explained by the City's third issuance of the Seawall Bond, supporting program advisory services, early projects, and the San Francisco Waterfront Coastal Flood Study general investigation.

Operating Expenses – Total operating expenses of $182,488,000 (condensed summary on page 6) for fiscal year 2025-26 represent a $31,923,000, or 21.20% increase from fiscal year 2024-25. Comparatively, fiscal year 2024-25 operating expenses were $150,565,000, or 4.86% higher than total operating expenses in fiscal year 2023-24. The statement of revenues, expenses, and changes in net position on page 31 presents

the Port's operating and nonoperating expenses in greater detail. Information concerning significant variances and non-recurring items is presented in the more detailed discussion that follows.

Operating expense changes in fiscal year 2025-26 and fiscal year 2024-25 are highlighted as follows:

	Increase / (Decrease)	
	2026	**2025**
Personal services	$ 8,243,000	$ 8,166,000
Contractual services	17,753,000	(6,905,000)
Utilities	1,001,000	(482,000)
Materials and supplies	397,000	7,000
Depreciation and amortization	1,399,000	6,092,000
Capital asset impairment	391,000	-
General and administrative	(196,000)	771,000
Services provided by other City departments	(1,472,000)	2,846,000
Pollution remediation	4,465,000	(4,300,000)
Other	(58,000)	781,000
Total Operating Expenses Changes	**31,923,000**	**6,976,000**

Personal services increased by $8,243,000. Changes in personal services are primarily from various factors, including headcount changes, salaries and fringe benefits changes pursuant to collective bargaining agreements, retirements, temporary salaries, and the amount of labor capitalized as capital assets. The current fiscal year increase is primarily attributable to higher permanent and temporary salary expenses, driven by increases in both rate and headcount. OPEB expenses and pension, which can fluctuate significantly as they include regularly updated actuarial assumptions, estimates about future investment returns, and future projections regarding benefit payments, also continue to contribute to the increase in personal service costs. In fiscal year 2024-25, personal services increased by $8,166,000. The fiscal year 2024-25 increase is primarily from the increase in OPEB expenses, which can fluctuate significantly as they include regularly updated actuarial assumptions, estimates about future investment returns, and future projections regarding benefit payments.

Contractual services increased by $17,753,000 due to fluctuations in the volume of non-capital project-related activities. Preliminary conceptual design work, feasibility analyses, environmental investigations, hazardous material removal, and demolition costs are generally expensed when incurred. The increase in the current fiscal year is primarily attributable to repairs and stabilization of a drydock in response to an emergency declared following the 2025 winter storm. Other contributing factors included the demolition of Pier 90 buildings and wharfage, Pier 50 pile removal, and consultant services supporting the Port's information technology modernization program. These increases were offset by a decrease in contracted security services, as the Port leveraged camera and communications technology to support a model requiring a smaller number of Port security employees. Comparatively, in fiscal year 2024-25, Contractual services decreased by $6,905,000 primarily due to a significant reduction in planning and preliminary design activities for the Waterfront Resilience Program as that program matured into a new phase of technical study and planning, as well as the capitalization of construction costs in the current fiscal year.

Utility costs fluctuate due to changes in rate and consumption. In fiscal year 2025-26, utility costs increased by $1,001,000 primarily from the absence of the one-time billing credit that was issued and reflected in the prior fiscal year. Comparatively, in fiscal year 2024-25, utility costs decreased by $482,000.

Materials and supplies increased by $397,000 primarily due to write-off of obsolete inventory. Other changes are due to fluctuations in the type and volume of maintenance and repair work that the Port performs during the fiscal year. Comparatively, in fiscal year 2024-25, materials and supplies costs increased by $7,000. Although purchases of other building maintenance supplies and minor data processing equipment decreased in the prior fiscal year, this decline was offset by fiscal year 2023-24 capitalization of other building maintenance supplies.

Depreciation and amortization expenses in fiscal year 2025-26 increased by $1,399,000 primarily due to increased spending of COVID-19 State stimulus funds and grant funds on capitalizable projects, resulting in more capital assets placed in service. Comparatively, depreciation and amortization expenses in the prior fiscal year increased by $6,092,000 from asset acceptance of Mission Rock Phase 1 horizontal improvements and Bayfront Park.

General and administrative expenses decreased by $196,000 primarily due to increased cost recovery charges by other City departments. Comparatively, in the prior fiscal year, general and administrative expenses increased by $771,000 primarily due to an increase in overhead costs from cost recovery charges by other City departments, and an increase in training costs. Other expenses decreased by $58,000. Expenses fluctuated due to software licensing fees, permits, data processing equipment, office equipment, and estimated claims. Comparatively, in the prior fiscal year, other expenses increased by $781,000 primarily due to higher software licensing fees, permits, and estimated claims.

Service reimbursements to other City departments were $33,334,000, a net decrease of $1,472,000 from the prior fiscal year. This is attributable to decreases in sidewalk vending enforcement services provided by the Department of Public Works, legal and litigation-related services associated with various projects, including development projects, provided by the City Attorney's Office, and general parking enforcement services provided by the Municipal Transportation Agency. Other service costs fluctuate depending on special events, project-related activities, risk management, and general services procured by other City departments on behalf of the Port. These costs remain stable in the current fiscal year. Comparatively, in fiscal year 2024-25, service reimbursements to other City departments were $34,806,000, a net increase of $2,846,000 from the prior fiscal year. This is primarily due to increases in insurance expenses, an enhanced security presence at Fisherman's Wharf and a port-wide task force involving the San Francisco Police Department, dedicated to addressing unpermitted vending, more project-related or non-project related activities procured from the Department of Public Works, such as sidewalk vending enforcement costs, and fireboat staffing costs.

Pollution remediation expenses increased by $4,465,000 in fiscal year 2025-26. The increase was primarily driven by the substantial completion of the marine demolition and mattress installation phase of the Mission Bay Ferry Landing project. The increase was offset by the release of the Port's originally anticipated obligation from a settlement with a tenant associated with the Hyde Street Harbor Fuel Dock fuel pipeline release. Other fluctuations were related to evaluations of and re-estimate of obligations primarily associated with various projects. The Port continues to review, evaluate, and re-estimate its obligations to remediate pollution annually. Changes in estimates of these obligations also contribute to fluctuations in pollution remediation expenses. Details of the obligations can be found in the environmental matter section of Note 14. Comparatively, pollution remediation expenses decreased by $4,300,000 in fiscal year 2024-25. The

decrease was driven by a prior year increase in expenses due to evaluations of and re-estimation of obligations primarily associated with the Pier 68/70 Shipyard Uplands project and the Hyde Street Harbor Fuel Pipeline project.

In fiscal year 2025-26, operating expenses also included an impairment loss of $391,000 related to Drydock #2. The impairment of the capital asset was attributable to unexpected damages following the 2025 winter storm.

Nonoperating Expenses – Nonoperating expenses are costs outside of normal operations and are reported in the non-operating expenses section. These include non-capital and capital subsidies provided to others, contributions to permanent and term endowments, expenses related to financing, loss from disposal of capital assets, inventory, and termination of leases. Examples include debt interest expense, losses from those capital and operational events from disposal and demolishing work, and early termination leases, bond issuance costs, arbitrage expenses, contributions to certain community-based organization services such as youth workforce development, and contributions to the developers.

Like nonoperating revenues, nonoperating expenses (other than interest expense) also tend to fluctuate widely based on largely non-recurring transaction activities or events. Nonoperating expenses decreased by $7,333,000, or 34.81%, primarily due to a $6,953,000 decrease in contributions to a developer and a $1,509,000 decrease in losses from lease terminations (GASB 87 – Leases treatment). These decreases were offset by a $948,000 increase in community-based services expenses to support various programs such as Fisherman's Wharf Community Benefit District, which focused on improvements of the visitor experience at the wharf through cleaning and safety enhancements, small beautification elements, outdoor events and storefront activations, marketing and business attractions, and community engagement activities, and grant pass-throughs to San Francisco Bay Ferry to support the work on an emission-free ferry system. Other increases included a $508,000 increase in bond issuance costs associated with bond refunding activities. Comparatively, in the prior fiscal year, nonoperating expenses increased by $16,431,000, or 354.65%.

Significant Capital Asset and Debt Administration

Capital Assets

The Port's capital assets as of June 30, 2026 and 2025, respectively, were $657,497,000 and $643,330,000, net of accumulated depreciation/amortization. Principal capital assets include land, certain street and road improvements, pier promenades, pier substructure, buildings and related improvements, vehicles, equipment, furniture, and right-to-use lease assets. More information concerning the Port's capital assets can be found in Note 5 on pages 44-46.

Significant project appropriations cover capital projects planned and in progress, including the pending expenditure of the COVID-19 State stimulus grant, the debt issuances discussed in Note 7, and the general obligation bond proceeds allocated to the Waterfront Resilience Program and open space and park projects along the waterfront. As of June 30, 2026, the budget file indicates over $455,424,000 in appropriations for Port capital projects. The Port had firm purchase and contract commitments on June 30, 2026, of approximately $118,504,000 for various capital projects. The increase in firm purchase and contract commitments from $34,520,000 in the prior fiscal year is attributable to an overall increase in capital projects. These commitments mainly include a grant subaward to SF Bay Ferry, several grant-funded projects and seawall bond-funded projects.

Major capital asset project expenses for fiscal year 2025-26 included the following:

Crane Barge – The Port is replacing its aging and undersized crane barge with a new, steel-constructed vessel to ensure the Port's long-term marine construction capability, operational readiness, and cost-efficiency for the next 50 years. The new barge will support essential Port operations, environmental compliance, and emergency response, making it a foundational asset for maintaining infrastructure and maritime services. Project notice to proceed was issued in August of 2025. As of the end of fiscal year 2025-26, the barge hull is completed, and the crane fabrication is beginning. Delivery of the crane barge to the Port is expected in January 2027, and project completion is expected in February 2027.

Dredging – Maintenance dredging is essential to ensure sufficient depths for vessels supporting maritime commerce. While some berths at the Port are naturally deep, many require periodic dredging to maintain depths. The Port performed maintenance dredging at multiple locations, where the works were performed and completed within the same fiscal year, adhering to applicable laws, regulations, and permits. During fiscal year 2025-26, the Port performed and completed contracted maintenance dredging at multiple locations through a previously awarded Port engineering construction contract.

- Pier 27 Cruise Terminal Maintenance Dredging – At Pier 27, maintenance dredging allows deep draft cruise vessels to berth at the Port's primary Cruise Terminal. The dredged sediments were transported to two permitted disposal sites. The largest portion of chemically suitable dredged sediment was transported to a certified beneficial re-use site, where it contributes to wetland restoration.

- Pier 35 Cruise Terminal Maintenance Dredging – At Pier 35, maintenance dredging allows the berthing of deep draft cruise vessels at the Port's secondary Cruise Terminal. All dredged sediments were transported to a certified beneficial re-use site, where it contributes to wetland restoration.

- Pier 80 Cargo Terminal, Berth C – At Pier 80, maintenance dredging allows the berthing of deep draft cargo vessels. As the Port's tertiary Cruise Terminal, deep draft cruise ships also call Pier 80 when Pier 27 & Pier 35 are unavailable. All dredged sediments were transported to a certified beneficial re-use site, where it contributes to wetland restoration.

Amador Street Pump Station and Roadway Restoration – This project addresses the aging roadway and pump station located on Amador Street. The current pump station and sewer force main are undersized for major storm events, and the roadway has reached the end of its service life. A construction contract to reconstruct the roadway, to replace the sewer force main and water main, and to install a new pump station and new landscaping with stormwater retention planters was given notice to proceed in early 2025. Substantial completion is expected in December 2026.

Pier 80 Fendering – The permanent fendering project scope is to improve the fendering system on the east and north berths of Pier 80. The project includes refurbishing existing bollards and installing new bollards. The goal of the project is to allow increased flexibility in vessel berthing to include cargo movements and a large ocean-going cruise berth in the southern waterfront. Project notice to proceed was given in August 2025. Substantial completion was reached in August of 2026.

Fisherman's Wharf Forward – The Fisherman's Wharf Forward near-term efforts include multiple improvements centered around the Inner Lagoon in Fisherman's Wharf. The main scope includes the

demolition of Alioto's Restaurant and construction of a new public plaza, with structural and life safety repairs at the existing wharf and new plaza furniture. Other work includes improvements to the Fishermen's Grotto restaurant for activation and exterior lighting upgrades around the lagoon. These efforts are intended as the first phase of a long-term revitalization of the area. This initial work serves to improve activity and the visitor experience in this critical San Francisco neighborhood while the design progresses for future resilience upgrades. Alioto's restaurant demolition was completed in March of 2026, and Alioto's Plaza and a Woods Beer & Wine Co. pop-up restaurant located in the former Fishermen's Grotto opened in September 2026. Lighting upgrades are delivered in stages over time, with full implementation planned for completion by early 2027. Since the project is the first phase of a larger resilience upgrade project, particular aspects, including the demolition of Alioto's Restaurant, are substantially funded by the 2018 Seawall Bond.

Debt Administration

Detailed information concerning the Port's long-term obligations can be found in Note 7 on pages 49-55 of this report. As of June 30, 2026, the Port had long-term debt obligations excluding bond premiums of $55,406,000, including $3,251,000 that is due during the next fiscal year. Total debt outstanding consists of $32,975,000 in revenue bonds, $17,730,000 in certificates of participation, and $4,701,000 in loans payable that are secured by specified revenue sources.

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

Based on the most recent rating, S&P affirmed its "A" rating and stable outlook in May 2025, Fitch affirmed its "A" rating and stable outlook in May 2024, and Moody's affirmed its "Aa3" rating and revised its outlook from negative to stable in May 2023.

Economics and Other Factors

Economy

Economic data in 2026 points to San Francisco entering a period of accelerating growth, in part driven by the Artificial Intelligence (AI) investment boom[1], which caused an increase in demand for office leasing. San Francisco's office vacancies have decreased by 3.7 percentage points comparing to the second quarter of 2025. Downtown transit, including Muni Metro and downtown BART ridership, is also showing stronger recovery since June 2025[1]. Most of San Francisco's solid employment gains over the past year have occurred in the health care and tourism industries. Tourism in San Francisco showed significant improvement, with average hotel occupancy rates increasing from 73.6% in June 2025 to 76.9% in June 2026[2]. Total jobs in the leisure and hospitality sector have increased by 5,100 in San Francisco and San Mateo counties from June 2025 to June 2026[3].

[1] SF Office of Economic Analysis, Status of the San Francisco Economy – 2nd Quarter, 2026
[2] SF Office of Economic Analysis – City Performance Scorecards
[3] California Employment Development Department, Labor Market Information

While the over-the-year Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-Hayward region increased from 1.5% in June 2025 to 3.5% in June 2026[1], the unemployment rate in San Francisco was trending downward from 4.2% in June 2025 to 3.8%[2] in June 2026. With the overall growth in the economy and tourism in the past year, the Port continues its strategy of growing its portfolio and expanding partnerships to contribute to San Francisco's long-term prosperity, as seen with programs such as the Blue Economy Initiative and the revitalization of Fisherman's Wharf.

Other factors

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

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

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

On July 31, 2026, USACE published the San Francisco Waterfront Coastal Flood Study Final Integrated Feasibility Report and Environmental Impact Statement (Flood Study). The Flood Study includes a plan for coastal flood defenses to adapt the Port's Bay waterfront to address coastal and combined flood risk through a set of initial adaptation actions with an estimated cost of $17.8 billion at fiscal year 2026 price levels (Recommended Plan or Plan) and subsequent actions to address higher rates of sea level rise.

In early 2026, the USACE Chief of Engineers established a new rule requiring a 35% level of design maturity prior to recommending water resources projects to Congress. The Recommended Plan has a 20% maturity level of design with a class 3 cost estimate.[3]

In 2025, the Port and USACE entered an agreement that allows the Port, as a non-Federal sponsor, to advance design of the Recommended Plan or actionable elements of the Plan through design, and to later earn potential credit towards future Federal funding if the work is determined to be "integral to the Plan." The Port now intends to advance the Downtown Coastal Resilience Project and the South Beach Coastal Resilience Project to a 35% level of design maturity – both actionable elements of the Recommended Plan.

If the USACE Chief of Engineers formally recommends the plan or actionable elements of the Plan to Congress in 2028 or later and Congress authorizes the Recommended Plan, the federal government will

[1] U.S. Bureau of Labor Statistics
[2] California Employment Development Department, Labor Market Information
[3] Class 3 – Technical information (including designs) is approaching a 10-60% quality of project definition. There is greater confidence in project planning and scope, construction elements and quantity development. The estimates rely less on generic cost book items, greater reliance on quotes, recent historical and site-specific crew-based details. Class 3 estimates reflect improved technical documents. The estimates must be supported by a technical information (scope, design, acquisition and construction methods, etc.) discussion within the estimate and the uncertainties associated with each major cost item in the estimate. Special attention must be given to large construction elements and items that are sensitive to technical information change. Typical Contingency Range could be 20% to 50%.

pay up to 65% of the costs of the plan. Subject to approval by Congress, the Mayor, and the Board of Supervisors, the Port will implement the USACE Recommended Plan over several decades and will require federal, state, and local permitting and funding to complete the effort.

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

Proposition A-funded projects focus on making improvements to protect life safety, supporting regional disaster response and recovery efforts, and helping protect the historic waterfront that can be implemented in the near term. The Waterfront Resilience Program team has advanced three projects to design, including Fisherman's Wharf Forward (along Taylor Street), the Downtown Coastal Resilience Project from Pier 7 to Rincon Park, and the South Beach Coastal Resilience Project from the Bay Bridge to Pier 40.

The Port is also completing a Needs Assessment Report with plans to seismically strengthen Pier 50, home to the Port's Maintenance Facility on the Port's Southern Waterfront.

Program Funding – In 2017, the City convened a Seawall Finance Working Group to analyze sources and recommend a funding plan for the program. The funding plan included a $425 million General Obligation Bond, which was overwhelmingly approved by voters in 2018. Additionally, in 2019, the Port secured a $5 million appropriation from the State of California. The Port has secured $7.8 million in competitive funding from the California Coastal Conservancy to align early program investments and shoreline investments from the Piers 30-32 and Seawall Lot 330 project with the USACE Recommended Plan. During the fiscal year 2025-26, approximately $16.8 million was spent related to the Waterfront Resilience Program. The City and the Port continue to seek other sources of revenue to fully fund the Waterfront Resilience Program.

Ten-Year Capital Plan – City Administrative Code Section 3.20 requires the City to produce a Ten-Year Capital Plan (Capital Plan) that is updated every two years. The Capital Plan distinguishes between renewal work and enhancements: renewal work returns an existing facility to its original state of good repair, whereas enhancements improve or increase asset performance. The most recent version of the Capital Plan, adopted by the Port Commission in April 2025 (2026-2035 Capital Plan), identifies $6.1 billion in capital investments, including $2.6 billion needed to fund deferred maintenance and subsystem renewals on Port facilities. This amount represents the anticipated cost over the next ten years to maintain Port facilities in a state of good repair. The Port uses facility condition surveys to identify and prioritize maintenance projects that preserve and extend the economic life of the Port's productive assets. The 2026-2035 Capital Plan identifies an additional $3.5 billion for enhancement projects. The enhancement category includes $581.6 million for the Waterfront Resilience Program, $680.9 million for conditional seismic work, and $2.2 billion for other improvements, particularly at Piers 30/32 for pier reconstruction and residential buildings at Seawall Lot 330 and other development projects that are supported by a mix of public and private sources.

The Port's need for capital investments has historically outpaced available funding. The Port has applied a multi-pronged approach to this challenge, including dedicated funding to capital, securing new external sources of funding, and targeting available funds to strategic projects. The 2026-2035 Capital Plan identifies $3.5 billion in available funding sources during the ten-year period. The anticipated sources include a mix of Port capital funds; private sector development project funding; City general obligation bond proceeds for parks, open space, and the Waterfront Resilience Program; tenant contributions pursuant to

improvement and maintenance obligations required under existing leases; and federal, state, and local grants.

The Port worked to increase the resources it allocates to address capital requirements. In 2012, the Port Commission adopted a capital budget expenditure funding policy that both designates a minimum percentage set aside of annual operating revenues to fund capital projects and allocates one-time funds to capital expenditures. Pursuant to this, the Port designated a minimum of 25% of operating revenue in its operating budget to fund capital expenditures. The Port's budget met or exceeded its capital funding target every year between 2012 and 2020 until COVID-19 affected revenue streams, forcing reductions to fiscal year 2020-21 and fiscal year 2021-22 capital appropriations below the required target. In the fiscal year 2022-23 and 2023-24 budgets, COVID-19 revenue impacts continued to push Port funded capital investments below the required level; however, the award of approximately $117.0 million in stimulus funds from the State of California, of which $74.0 million has been dedicated to capital, pushing the Port's capital spending amount above the requirement.

The plan projects that at the end of the ten-year period, the Port will have invested $698.8 million to fund state of good repair, leaving a backlog of $1.9 billion. The backlog consists of projects for which the Port (1) does not currently have sufficient funds to cover the estimated costs to repair and renew the facility and (2) has not issued a request for proposals (RFP) or entered into negotiations with a developer to finance the upgrades. The Port has several options available to fund unmet needs: new public-private partnership development projects, new Port debt, general obligation bonds, grant opportunities, and infrastructure financing districts. Each new funding option requires substantial staff time to develop and implement policymaker support. These financing tools may also require the support of regulatory bodies such as the California State Lands Commission and the San Francisco Bay Conservation and Development Commission.

Legislative and Funding Efforts – Legislative efforts to support the Waterfront Resilience Program include the approval of Proposition A's Seawall Earthquake Safety Bond in November 2018, and the award of a $5 million grant from the California Department of Natural Resources in February 2019, and a $7.8 million grant from the California State Coastal Conservancy (SCC) in March 2024. The Port is also pursuing state and federal support, as well as private funding and partnerships, to ensure a safe and inspiring waterfront for generations to come. To date, the Port has secured approvals of shoreline special taxes for the Pier 70 and Mission Rock projects to address sea-level rise and flood risk on Port property. In 2024, the Port was an instrumental part of a coalition that succeeded in advocating for the inclusion of $350 million through the California Coastal Conservancy for sea-level rise adaptation for ports and urban waterfronts in SB 867, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, which was passed by voters on the November 5, 2024 California ballot.

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

The Port and its development partners seek to take full advantage of special use district financing tools to fund necessary public infrastructure and make development projects feasible. In addition to IFDs, the

infrastructure financing plans for certain Port development projects contemplate the formation and implementation of community facility districts (CFDs), which are special tax districts established by local governments in California and commonly referred to as Mello-Roos.

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

Stimulus Fund – The Port was awarded $117,086,000 in stimulus from the California State Lands Commission. The Port fully received the funds in fiscal year 2022-23. Of this COVID-19 stimulus, $40,934,000 was spent on eligible capital expenses in fiscal year 2025-26. The remaining unspent stimulus in the amount of $12,359,000 is reserved to cover future capital expenses expected to be incurred prior to the grant deadline.

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

Amendments to the San Francisco General Plan were approved in Fall 2023 to align with the Waterfront Plan. The Port is currently working with the San Francisco Bay Conservation and Development Commission (BCDC) to amend BCDC's San Francisco Waterfront Special Area Plan (SFWSAP) to also align with the Waterfront Plan. The first set of amendments to BCDC's SFWSAP was approved in August 2025.

The 1997 Waterfront Plan identified several locations where mixed-use developments, including maritime, open space, and public access uses are encouraged. Such projects are generally undertaken as public-private partnerships, wherein the Port enters into a development agreement and a long-term lease with a private developer that is usually selected through a request for proposal process. However, the Port has also partnered with the City and other public entities to deliver major improvements to the waterfront, including:

Park Projects – Since 2008, the Port has received funding from two park bond issues, $34.5 million from the 2012 bond measure and $33.5 million from the 2008 measure. Port projects funded by the 2012 bond issue include the Cruise Terminal Plaza fronting the James R. Herman Cruise Terminal at Pier 27, Agua

Vista Park, Crane Cove Park, and improvements to Islais Creek and Heron's Head Park. The 2008 bond issue funded projects include a promenade at Pier 43½ in Fisherman's Wharf, the Brannan Street Wharf Park, Bayfront Park, Crane Cove Park, Islais Creek, Bayview Gateway, and improvements to Heron's Head Park. The construction of Agua Vista Park has been awarded as part of the Mission Bay Ferry Landing project. It is anticipated that construction will commence in the Fall of 2026 with project completion expected in the winter of 2027. Through June 30, 2026, the Port expended approximately $107.2 million for park projects, including $66.8 million from the park bonds and $40.4 million from other funds.

Potrero Power Station Project and Development Agreement – In February 2020, the Port Commission authorized a 66-year lease between California Barrel Company (CBC) and the Port on 1.6 acres of waterfront property within the larger Potrero Power Station Development Project. CBC is the project sponsor of the Potrero Power Station project, a 5.4 million square feet development managed by the City's Office of Economic and Workforce Development through a Development Agreement. The project, situated adjacent to the Port on City land, will include over 2,500 housing units, 1.6 million square feet of commercial space, and over 75,000 square feet of community and assembly uses. Through the approved lease and development agreement, CBC will construct approximately seven acres of public parks and open space, including 1.6 acres on Port property. The lease for the Port land is one dollar a year for 66 years. As of June 30, 2026, the permanent open space improvements are delayed due to market conditions related to the broader project; however, CBC expects to start construction of interim open space improvements next year.

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

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

- **Waterfront Site –** This project area requires significant infrastructure investment and land use approvals to redeploy a largely vacant portion of Pier 70 for fresh uses in new buildings alongside three historic buildings that will be rehabilitated and adaptively reused. In May 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental deal terms for the

project. The Board of Supervisors endorsed the term sheet in June 2013 and determined the proposed development to be fiscally feasible under Chapter 29 of the Administrative Code. The passage of Proposition F in 2014 allowed a 90-foot height limit for the site. The land use program for the 28-acre Waterfront Site, as defined within the proposed Pier 70 Special Use District amendments to the Planning Code, allows the development of approximately 1,100 to 2,150 new residential units, between one million and two million gross square feet of commercial and office space, and small-scale manufacturing, retail, neighborhood services, waterfront parks, and public infrastructure. The master developer secured necessary project entitlements, including certification of the Final Environmental Impact Report, in Fall 2017.

Development of the Waterfront Site, which will occur in three phases, is governed by the Disposition and Development Agreement, Development Agreement, and Master Lease with the master developer. In March 2019, construction of Phase 1 horizontal infrastructure began, including installation of utilities, and Maryland Street, Louisiana Street, 21st Street, and 22nd Street, as well as surface improvements. The horizontal infrastructure (excluding parks that will be constructed on a schedule that coincides with the delivery of adjacent vertical development) was substantially completed in November of 2022 and accepted by the City in April 2024. The master developer also completed the rehabilitation of historic Building 12, and it is now 90% leased. Otherwise, the master developer has not yet exercised its options for any of the Phase 1 development parcels, primarily due to market conditions, including office vacancies, rental rates, high construction costs, and interest rates. The Port, City, and master developer are seeking to restructure the project agreements in early 2027 to improve project feasibility and kick-start vertical development at the site.

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

Construction of Phase 1, including horizontal infrastructure and vertical buildings, broke ground in 2020. Vertical construction is now complete as four Phase 1 parcels have received a Temporary Certificate of Occupancy ("TCO") as well as Certificates of Final Completion and Occupancy ("CFCO") which also allowed the Port to formally terminate the Vertical Disposition and Development Agreement ("VDDA") for three of the four parcels, with the VDDA for the fourth parcel (Parcel F) trailing and expected to be terminated by fall 2026. Parcel A is open and is stabilized at 96% leased with new residential, office, and ground-floor retail tenants. Parcel B is complete and has been leased to commercial tenants including the

Golden State Warriors, Coinbase, and Nvidia, with approximately 19,000 square feet still available and being marketed for lease. Parcel F is also open and stabilized at 94% leased with new residential, office, and ground-floor retail tenants. Parcel G office space is entirely leased to Visa for its global headquarters. Ground floor retail space at all four buildings is 84% leased. Horizontal infrastructure is complete, including public right-of-way streets and Port open space areas, as well as the new, 5-acre China Basin Park, which was completed and opened to the public in April 2024.

The developer and the Port are in discussions regarding Phase 2 of the project relative to market and financing conditions to assess a feasible second phase. The City, on behalf of the City's Special Tax District No. 2020-1 (Mission Rock Facilities and Services), issued Development Special Tax Bonds, Series 2021A in the amount of $43,300,000 in May 2021. The City issued additional Mission Rock Facilities and Services CFD Bonds in the fall of 2021, in the amount of $64,280,000, comprised of $54,280,000 from taxable Series 2021B and $10,000,000 from tax-exempt Series 2021C. These are not the Port's revenue bonds but debt of the Mission Rock CFD. Finally, the developer has completed all Phase 1 infrastructure, including new streets, sidewalks, utilities, and open spaces, including China Basin Park. The City and Port Commission accepted these assets as of May 2025.

Mission Bay Ferry Landing Terminal – The Mission Bay Ferry Landing (MBFL) will provide regional ferry service to and from San Francisco's Mission Bay, Dogpatch, Potrero Hill, Pier 70, and Central Waterfront neighborhoods. The ferry landing will provide the capability to berth two ferry boats simultaneously with the capacity to handle up to 6,000 passengers per day. The terminal is essential to alleviate regional transportation overcrowding and provide transportation resiliency in an earthquake, BART or Bay Bridge failure, or other unplanned events. The Port is leading the project in collaboration with the San Francisco Bay Area Water Emergency Transportation Authority (SF Bay Ferry) alongside support from the Mayor's Office, the Office of Economic and Workforce Development, and consulting design teams. The project design and environmental permitting are complete. Dredging and site preparation (Phase 1) were completed in 2020. Due to project funding limitations, litigation, and the financial impact of COVID-19, the Port revised the project timetable. However, as a short-term solution, the Port and SF Bay Ferry constructed an interim ferry landing at Pier 48½ with financial support from Golden Gate Transit. The interim facility opened in Fall 2019. In 2024, the Port of San Francisco and SF Bay Ferry's joint application to the Environmental Protection Agency's Clean Ports Grants program was successful. The grant will allow the Port and SF Bay Ferry to complete the Mission Bay Ferry Terminal with electric vessel charging infrastructure. The Port has split the construction into two construction contracts. The first contract (MBFL Phase 2a Marine Demolition and Mattress) reached substantial completion in December of 2025. Design of the second contract (MBFL Phase 2b and Agua Vista Park) was completed in January of 2026. The Phase 2b contract was advertised in April 2026 and was awarded in the summer of 2026. The completion of the full project is anticipated to occur in the first quarter of 2028.

Mission Bay Park Projects-Bayfront Park and Mission Bay Park P19 – The Mission Bay South Redevelopment Plan Area is managed by the Office of Community Investment and Infrastructure (OCII), which recently started two park projects on Port land. The first park project, Bayfront Park, is a 5.4-acre open space located between Chase Center and San Francisco Bay that opened in October 2024. Bayfront Park was officially transferred to the Port of San Francisco in July 2024 with an asset value of $29,585,000. The second park project, Mission Bay Park P19, located on the west side of Terry Francois Blvd between China Basin and Mission Rock Streets, was substantially completed in October 2025. Mission Bay Park P19 was accepted by the Port with an asset value of $648,000. As part of an agreement with OCII, the Port will receive funding for operations and maintenance of these parks through 2044 from Community Financing District No. 5.

Seawall Lot 330 and Pier 30-32 – In 2021, Port entered into an Exclusive Negotiation Agreement (ENA) with Strada Trammel Crow Company Partners (Strada TCC) for the lease and development of Piers 30-32 and Seawall Lot 330 (SWL 330) with a multi-phase development plan. Following execution, Port staff and the developer conducted extensive outreach to state agencies and the local community and, based on feedback received, redesigned the development concepts for both Piers 30-32 and SWL 330. This effort culminated in the passage of State legislation (SB 273) in 2023, authorizing State Lands to approve the Piers 30-32 development and the City to approve the development through City permitting and environmental review processes. In January 2024, the Port Commission endorsed a term sheet for the lease and development of Piers 30-32 and SWL 330 and approved a first amendment to the ENA to align with the term sheet's timeline. The Board of Supervisors endorsed the term sheet in April 2024. The term sheet outlined a multi-phase development plan, beginning with SWL 330, including market-rate residential buildings and a separate 100% affordable housing development. Subsequent phases included reconstruction of Piers 30-32, featuring an aquatic center with a public swimming pool, a retail market hall, approximately 375,000 square feet of office space, a rebuilt pier, and seismic and sea level rise resilience improvements to the surrounding infrastructure. In the same year, Strada TCC assigned all its interest in the ENA and term sheet to 550 The Embarcadero Property, LLC, an affiliate of Strada Development Group. In 2025, due to a significant shift in external factors impacting the feasibility of Piers 30-32 in the near term and a desire to accelerate the development of SWL 330 to deliver more than 600 units at a time when the city faces a significant housing shortfall, the ENA was terminated and replaced with two new site-specific agreements. Under the new Piers 30-32 ENA, active negotiations are paused while the parties explore ways to temporarily activate the site and evaluate the key obstacles to project feasibility. Under the new SWL 330 ENA, the parties are negotiating the terms for the disposition of the site and development of the housing project. The Port and Developer anticipate seeking approval of SWL 330 transaction documents from the Port Commission and Board of Supervisors by early 2027.

Seawall Lots 323 and 324 – In 2015, the Port Commission approved an ENA with Teatro ZinZanni and a financial partner, operating together as TZK Broadway, LLC, for the lease and development of Seawall Lots 323 and 324. The project includes a dinner-theater space, a maximum 200-room, 40-foot-high boutique hotel, approximately 14,000 square feet of privately financed public park, and ancillary uses. This project was further refined through the entitlement process. The Port Commission and the Board of Supervisors both endorsed a non-binding term sheet for the project in 2016. On September 10, 2019, pursuant to Resolution 19-36, the Port Commission approved the proposed lease for this project. On January 14, 2020, the Board of Supervisors adopted Resolution No. 05-20, approving the proposed lease as well. The developer has secured project entitlements and is currently seeking building permits and construction financing. As hotel occupancy had not fully recovered to the pre-pandemic level, financing for hotel construction in San Francisco remained a challenge as of June 2025. The developer has changed the hotel brand to a luxury brand with 164 rooms to have larger floor-area rooms expected in a luxury hotel. The project timeline was delayed due to economic factors, including cost inflation, high interest rates, and closing the funding gap.

In July 2026, the Port Commission approved (1) a time extension for the Developer to find financing and (2) revised lease terms that include reduced rent and a permit to defer a portion of rent in early lease years to reserve more cash flow to service a larger loan. The City is also requested to consider approving a Hotel Development Incentive Agreement that would provide financing assistance to this project using a portion of the transient occupancy tax generated by this hotel. As such, the developer has updated its sources-and-uses-of-funds. The sources of funds anticipate a $90 million loan from a senior construction lender, $60 million in C-PACE financing, and $32 million of LP, GP & EB-5 equity for a total of $182 million. The updated project timeline includes seeking Board of Supervisors approval of the incentive agreement in

fall 2026 and the developer closing escrow on the project financing by summer of 2027 and starting construction immediately thereafter.

Alcatraz Embarkation – The Pier 31½ marginal wharf is currently the embarkation point for visitors to Alcatraz Island, a major tourist destination run by the National Park Service (NPS). NPS has partnered with Golden Gate National Parks Conservancy (GGNPC), and GGNPC selected Alcatraz Cruises as its ferry concessionaire. Both parties are working together with the Port to transform the site, which was constructed for relatively short-term use, into a first-class embarkation site with the option to lease for up to 50 years. The long-term designation of the site as the entry to Alcatraz incentivizes a significant investment to create high-quality visitor amenities and interpretation. The proposed project includes: (1) renovation of the interiors of the Piers 31 and 33 bulkheads (approximately 18,000 square feet of gross leasable area); (2) improvements to 43,000 square feet of marginal wharf for a pedestrian-only area with public open space, passenger queueing, and site circulation; (3) addition of a second float to increase ferry capacity; (4) improvements to 13,200 square feet of support, storage, and parking area within the Pier 31 and Pier 33 sheds; (5) installation of shoreside electrical power for hybrid-electric ferry vessels; and (6) repairs to the substructure of the Pier 31½ marginal wharf. The Port Commission and the Board of Supervisors endorsed a term sheet for the project in 2016. The Port Commission approved entitlements and transaction documents in June 2018, and the Board of Supervisors approved the project in September 2018. Construction will be phased, with multiple parties performing the work under different leases with different start dates. Repairs and improvements to the substructure of Pier 31½ and adjacent apron structures were completed in 2019. The Port's tenants at the site are pursuing improvements, and the construction of Phase 1 improvements to the Pier 31 bulkhead was completed at the end of 2023. The full build-out of the site is expected to be completed in 2029.

Fisherman's Wharf Revitalized – The Port received an unsolicited proposal for a development concept at Piers 45 Shed A and former Shed C and portions of Seawall Lots 300/301 from Fisherman's Wharf Revitalized (the "Developer") in February 2023. The Port conducted community outreach and requested further interest in the site in the months after receiving this proposal. Based on the results of this outreach, the Port requested and received a sole-source waiver from the Board of Supervisors, and the Port Commission approved an Exclusive Negotiating Agreement with the Developer in October 2023. In early 2024, the Developer conducted community outreach and further refined their project concept. Port staff and the Developer negotiated a non-binding term sheet in Fall 2024, which the Port Commission approved in October 2024. The Board of Supervisors endorsed the term sheet and approved a fiscal feasibility finding in December 2024. The Developer is now advancing and adjusting designs of the project based on community feedback and anticipates completing planning and environmental reviews for the project later in fiscal year 2026-27. Port staff and the Developer will also negotiate transaction documents, including an LDDA and lease, in fiscal year 2026-27.

Requests for Information

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Net Position
June 30, 2026 and 2025
(dollar amounts in thousands)

	2026	2025
Assets		
Current assets:		
Unrestricted:		
Cash and investments held in City Treasury (Note 3)	$ 389,242	$ 387,518
Cash held outside of City Treasury (Note 3)	1	1
Receivables, net (Note 4)	34,297	15,644
Current lease receivables (Note 12)	43,784	41,516
Due from other City funds (Note 11)	106	178
Due from other City funds - Community Facilities Districts and Infrastructure Financing Districts (Note 6)	5,425	5,228
Due from other City funds - Infrastructure Financing District interest receivable (Note 6)	338	-
Accrued interest receivable	5,303	5,045
Accrued interest receivable related to leases	4,573	4,168
Materials and supplies	1,888	2,009
Prepaid charges and advances	24	405
Total unrestricted current assets	484,981	461,712
Restricted:		
Cash and investments held in City Treasury (Note 3)	168,667	213,311
Cash and investments held outside of City Treasury (Note 3)	1,443	5,282
Total restricted current assets	170,110	218,593
Total current assets	655,091	680,305
Noncurrent assets:		
Capital assets (Note 5 and Note 12):		
Nondepreciable	148,861	135,322
Depreciable, net	453,136	450,104
Intangible lease assets, net (Note 12)	55,500	57,904
Capital assets, net	657,497	643,330
Unrestricted other noncurrent assets (Note 6)	1,627	1,841
Long-term lease receivables (Note 12)	401,385	422,161
Long-term accrued interest receivable related to leases	1,222	932
Total noncurrent assets	1,061,731	1,068,264
Total assets	1,716,822	1,748,569
Deferred outflows of resources		
Deferred outflows of resources from refunding of debt (Note 7)	122	130
Deferred outflows of resources related to pension (Note 8)	21,527	19,722
Deferred outflows of resources related to other postemployment benefits (OPEB) (Note 10)	6,049	7,154
Total deferred outflows of resources	27,698	27,006

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Net Position (Continued)
June 30, 2026 and 2025
(dollar amounts in thousands)

	2026	2025
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,000	$ 12,685
Accrued interest payable	861	1,068
Accrued interest payable leases	125	129
Accrued payroll	1,766	3,506
Compensated absences (Note 7)	4,763	4,064
Accrued workers' compensation (Notes 7 and 15)	1,262	961
Estimated claims payable (Notes 7 and 15)	425	475
Current maturities of long-term obligations (Note 7)	3,251	3,237
Pollution remediation obligations (Notes 7 and 14)	1,725	9,335
Unearned rents and advance payments	3,978	3,934
Rent credits due to tenants	1,509	1,632
Current lease liabilities (Notes 7 and 12)	2,052	1,777
Lessee and other deposits	11,120	11,158
Total current liabilities	49,837	53,961
Noncurrent liabilities:		
Compensated absences (Note 7)	4,063	3,676
Accrued workers' compensation (Notes 7 and 15)	3,842	3,242
Estimated claims payable (Notes 7 and 15)	325	200
Long-term obligations - net of current maturities (Note 7)	56,272	63,563
Pollution remediation obligations (Notes 7 and 14)	7,030	7,500
Net pension liability (Note 8)	34,755	32,037
Net OPEB liability (Note 10)	30,525	29,284
Long-term lease liabilities (Notes 7 and 12)	60,478	62,530
Rent credits due to tenants	35,058	36,558
Unearned grants (Note 4)	12,359	53,293
Total noncurrent liabilities	244,707	291,883
Total liabilities	294,544	345,844
Deferred inflows of resources		
Deferred inflows of resources from refunding of debt (Note 7)	827	-
Deferred inflows of resources related to pensions (Note 8)	386	1,341
Deferred inflows of resources related to OPEB (Note 10)	3,798	3,927
Deferred inflows of resources related to leases (Note 12)	435,605	459,734
Total deferred inflows of resources	440,616	465,002
Net position		
Net investment in capital assets	494,086	472,686
Restricted for capital projects	144,206	149,524
Unrestricted	371,068	342,519
Total net position	$ 1,009,360	$ 964,729

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

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2026 and 2025
(dollar amounts in thousand)

	2026	2025
Operating revenues (Note 12):		
Commercial and industrial	$ 65,855	$ 62,757
Parking	24,334	22,555
Cruise	9,503	8,466
Cargo	6,121	6,613
Fishing	2,062	2,114
Harbor services	7,516	7,690
Other maritime	9,199	9,286
Other	14,075	13,534
Total operating revenues	138,665	133,015
Operating expenses:		
Personal services	62,802	54,559
Contractual services	35,204	17,451
Utilities	4,702	3,701
Materials and supplies	2,052	1,655
Depreciation and amortization (Note 5 and Note 12)	33,591	32,192
Drydock #2 impairment (Note 5)	391	-
General and administrative	3,114	3,310
Services provided by other City departments (Note 11)	33,334	34,806
Pollution remediation (Note 14)	5,270	805
Other	2,028	2,086
Total operating expenses	182,488	150,565
Operating loss	(43,823)	(17,550)
Noncapital subsidies:		
Intergovernmental revenues:		
Federal	3,787	3,062
State/Other	26,254	299
Contributions and grants to others	(5,600)	(4,652)
Total noncapital subsidies	24,441	(1,291)
Operating loss and noncapital subsidies	(19,382)	(18,841)
Other nonoperating revenues (expenses):		
Interest and investment income	32,042	36,778
Interest expense	(3,891)	(4,218)
Debt issuance costs (Note 7)	(508)	-
Loss from lease terminations	(184)	(1,693)
Gain from dispositions, net	18	1
Promissory notes repayment received (Note 6)	310	1,549
Other revenues	241	231
Capital grant subsidies	37,975	12,153
Other contributions to developer (Note 6)	(3,548)	(10,501)
Capital contributions from developers (Note 5)	1,558	153,886
Capital contributions from the City (Note 11)	-	119,626
Total net other nonoperating revenues	64,013	307,812
Income before unusual or infrequent items	44,631	288,971
Unusual or infrequent items:		
Proceeds from insurance (Note 15)	-	51,618
Change in net position	44,631	340,589
Net position, beginning of the year	964,729	624,140
Net position, end of the year	$ 1,009,360	$ 964,729

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(dollar amounts in thousands)

	2026	2025
Cash flows from operating activities:		
Cash received from tenants for rent	$ 48,667	$ 46,910
Cash received from customers and others	37,076	32,209
Deposits received from tenants and customers	730	893
Cash paid to employees for services	(62,618)	(52,748)
Cash paid to suppliers for goods and services	(56,988)	(27,348)
Cash paid to the City for services	(31,094)	(34,045)
Customer deposits returned	(564)	(551)
Net cash used in operating activities	(64,791)	(34,680)
Cash flows from noncapital financing activities:		
Operating grants	8,146	1,772
Proceeds from insurance	-	51,618
Payment for other contribution	(3,069)	(4,652)
Proceeds from other revenues	241	231
Net cash provided by noncapital financing activities	5,318	48,969
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(47,656)	(25,840)
Interest payments on lease related capital and financing	(1,521)	(1,564)
Payment of lease liabilities	(1,777)	(1,574)
Payments to debt refunding escrow	(3,386)	-
Payments of long-term debt	(3,082)	(3,129)
Receipts from leases	45,235	44,593
Receipts from developer	1,099	-
Interest receipts on leases	11,168	11,330
Interest payments on long-term debt	(2,551)	(2,917)
Capital grants and contributions received/(paid)	(527)	516
Capital contributions received from the City	-	119,626
Repayment from loan to developer	149	142
Interest payments on loan to developer	24	24
Other contribution to developer	(3,548)	(10,501)
Proceeds from sale of equipment and materials	18	1
Debt issuance costs paid	(508)	-
Net cash provided by/(used in) capital and related financing activities	(6,863)	130,707
Cash flows from investing activities:		
Interest and investment income	19,577	24,266
Change in cash and cash equivalents	(46,759)	169,262
Cash and cash equivalents, beginning of year	605,912	436,650
Cash and cash equivalents, end of year	$ 559,153	$ 605,912

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2026 and 2025
(dollar amounts in thousands)

	2026	2025
Reconciliation of operating loss to net cash used in		
Operating activities:		
Operating loss	$ (43,823)	$ (17,550)
Adjustments to reconcile operating loss to net cash used in		
operating activities:		
Depreciation and amortization	33,591	32,192
Asset impairment	391	-
Change in allowance for doubtful accounts	(2,288)	1,522
Lease revenues/deferred inflows of resources related to leases amortization	(51,033)	(51,143)
Net effects of (increase) decrease in:		
Receivables	3,097	(1,183)
Materials and supplies	121	(76)
Prepaid charges, advances and other assets	422	(285)
Net effects of increase (decrease) in:		
Accounts payable and accrued expenses	2,846	3,410
Due from other City departments, Community Facilities Districts, and		
Infrastructure Financing Districts	(914)	(3,281)
Accrued payroll	(1,740)	667
Compensated absences	1,086	623
Accrued workers' compensation	901	756
Estimated claims payable	75	175
Pollution remediation obligations	(8,080)	805
Net OPEB liability and related deferred outflows/inflows of resources	2,217	(1,000)
Rent credits, unearned rent and other liabilities	(1,618)	(1,830)
Net pension liability/asset and related deferred outflows/inflows of resources	(42)	1,518
Net cash used in operating activities	$ (64,791)	$ (34,680)
Noncash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued expenses	$ 5,487	$ 6,552
Capital contribution received	-	116
Other asset received from developer	1,558	153,770
Pier 70 and Mission Rock CFDs promissory notes and accrued interest	9,376	14,189
Allowance for CFDs promissory notes and accrued interest	(9,376)	(14,189)
IFDs developer project cost reimbursements	97	237
Allowance for IFDs developer project cost reimbursements	(97)	(237)
Debt principal refunded	20,154	-
Reconciliation of cash and equivalents to the statement of net position:		
Cash and investments held in City Treasury		
Unrestricted	$ 389,242	$ 387,518
Restricted	168,667	213,311
Cash and investments held outside City Treasury		
Unrestricted	1	1
Restricted	1,443	5,282
Cash and equivalents	559,353	606,112
Less: Investment outside of City Treasury not meeting the		
definition of cash equivalents	(200)	(200)
Total cash and cash equivalents	$ 559,153	$ 605,912

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

1. Organization

The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City). Only the accounts of the Port are included in these financial statements. There are no component units that should be considered for inclusion in the Port's financial reporting entity. A five-member Port Commission is responsible for the organization's operation, development, and maintenance. Commission members are appointed by the Mayor and confirmed by the Board of Supervisors for fixed terms of four years. The Port is a department of the City, and the accompanying financial statements are included in the City's basic financial statements. The financial statements of the Port are intended to present the activity of the City that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2026 and 2025, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

2. Significant Accounting Policies

Basis of Accounting

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

2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Tenant improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the related lease. Maintenance and repairs are expensed as incurred. Dredging costs are amortized using the straight-line method over the estimated useful period, ranging from one to seven years. Intangible lease assets are amortized using the straight-line method over the lease term. Capital assets held for sale represent certain capital assets that the Port has decided to pursue the sale of, for which it is probable that the sale will be finalized within one year.

Bond/Debt Premiums, Discounts, and Issuance Costs

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

Gains or losses from Refunding of Debt

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

Facility Improvement Credits

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

2. Significant Accounting Policies (Continued)

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

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

Operating Revenues and Expenses
The Port distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Operating revenues and expenses generally result from real estate leasing, maritime, and other principal ongoing activities of the Port's normal business operations. Real estate revenues consist principally of rentals of Port property to industrial, commercial, retail, office, and other business enterprises. Parking revenues include parking lot operations, metered on-street parking, and parking fine revenue. Maritime revenues are derived from vessel operations, warehousing, harbor services, and other maritime activities. Vessel operations include roll-on/roll-off ships for automobiles, dry, liquid bulk, and break-bulk cargoes, cruise, and other berthing. Other operating revenues include building permits and inspection fees. Operating expenses include facility maintenance, the cost of operations, administrative expenses, and depreciation and amortization on capital assets.

Contingent rentals are recorded or accrued only for periods in which thresholds for gross sales or revenues are met by the tenant. Use fees are recorded when the fee is earned, based on actual occupancy or use. Use fees are assessed by a measuring unit (e.g., lineal feet of the vessel for dockage) or measured time (e.g., per twenty-four-hour day). Maritime activity or use fees may be based on a standardized tariff schedule or covered by specific contractual agreements. Revenue recognized from amortization of deferred inflow of resources related to leases is reported as operating revenue, while interest revenue related to leases is reported as nonoperating revenue.

Nonoperating Revenues and Expenses
Nonoperating revenues and expenses are defined as subsidies received and provided, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. Examples of nonoperating revenues items include interest and investment income, non-capital and capital subsidy grants, gains from disposal of assets, credit auction proceeds gained from the Port's participation in the San Francisco Public Utilities Commission's Hetch Hetchy Power low-carbon fuel standard partnership program, and capital

2. Significant Accounting Policies (Continued)

contributions. Examples of nonoperating expenses include debt interest expense, losses from those capital and operational events from disposal and demolition work, early termination leases, bond issuance costs, arbitrage expenses, contributions to certain community-based organization services such as youth workforce development, and contributions to the developers. In recent years, the Port has also received capital contributions and grants:

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

Pass-Through Grants
The Port occasionally receives grant funds from federal agencies and subsequently sub-awards a portion of the funds to other entities or organizations. Revenues are recognized when qualifying expenditures are incurred by the subrecipient. The subrecipient is accountable to the Port as the pass-through entity for compliance with federal requirements.

Unusual or infrequent items
Unusual or infrequent items include transactions and other events that are either unusual in nature or infrequent in occurrence. An example includes insurance settlements for infrequent losses caused by fire.

Compensated Absences
The Port employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. The Port recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. The Port applies the current pay rates of active employees to determine leave balances in effect at fiscal year-end.

Effects of New Pronouncements
In fiscal year 2024-25, the City and the Port implemented GASB Statement No. 101, *Compensated Absences* (GASB 101). The objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, and establishes definitions, guidance, and disclosure requirements related to compensated absences. Application of this statement resulted in the Port recording the cumulative effect of this change to its net position as of July 1, 2023, in the amount of $3,778,000.

The City and the Port also implemented GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires state and local governments to disclose significant risks related to concentration or constraints that could lead to substantial impacts. Application of this statement did not have a significant impact on the Port for the year ended June 30, 2025.

2. Significant Accounting Policies (Continued)

In fiscal year 2025-26, the City and the Port implemented GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103) and GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). The new standards are effective for periods beginning after June 15, 2025 and are effective for the Port's fiscal year ending June 30, 2026.

GASB 103: improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This statement 1) introduces revisions to MD&A, 2) updates the presentation of proprietary funds, distinguishing between operating and nonoperating revenues and expenses, 3) requires the display of inflows and outflows related to each unusual or infrequent item separately, 4) requires presentation of each major component unit separately in the government-wide statement of net position and statement of activities, and 5) requires presentation of budgetary comparison information in required supplementary information. Application of this statement resulted in changes to the presentation and classification of certain information and amounts in the Port's financial statements, MD&A and other required supplementary information, but did not affect the Port's net position.

GASB 104: requires detailed information about capital assets in notes to financial statements and provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets, such as lease assets recognized in accordance with GASB Statement No. 87, *Leases*, to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Furthermore, the statement requires intangible assets other than lease assets to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. Application of this statement resulted in additional disclosures related to certain capital assets, as discussed in Note 5, Capital Assets, but did not affect the Port's net position.

The City and the Port are currently analyzing GASB Statement No. 105, *Subsequent Events* (GASB 105). This statement defines subsequent events such as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. In addition to requiring the date through which subsequent events have been evaluated to be disclosed, the statement also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific disclosure requirements for nonrecognized events. The new standard is effective for fiscal years beginning after June 15, 2026. Application of this statement will be effective for the Port's fiscal year ending June 30, 2027. The Port has not yet completed the evaluation of the potential effects of adopting GASB 105. The requirements of GASB Statement No. 105 are not effective for the Port's fiscal year ended June 30, 2026, and the Port has not elected to early adopt the guidance. The Port will evaluate the potential effects of adopting GASB 105 during fiscal year 2026–27 in preparation for its required implementation in that fiscal year. Accordingly, the effects of adoption on the Port's financial disclosure have not yet been determined.

2. Significant Accounting Policies (Continued)

Estimates

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

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current fiscal year presentation and changes with the implementation of a new accounting standard. These reclassifications did not affect the Port's net position.

3. Cash and Investments

The Port's cash and investments at June 30, 2026 and 2025 are as follows (in thousands):

	2026	2025*
Cash and investments held in City Treasury	$ 389,242	$ 387,518
Cash held outside of City Treasury - imprest fund	1	1
Restricted assets:		
Cash and investments held in City Treasury	168,667	213,311
Cash and investments held outside of City Treasury:		
Cash and investments held by fiscal agents	1,243	5,082
Lessee deposits	200	200
Total cash and investments	$ 559,353	$ 606,112

*Certain reclassification has been made to prior year amounts to conform to the current fiscal year presentation.

City Treasurer's Pool

The Port maintains its operating fund cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The notes to the basic financial statements of the City provide more detailed information concerning deposit and investment risks and fair value hierarchy disclosure associated with the City's pool of cash and investments at June 30, 2026 and 2025. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer, subject to review by the Treasury Oversight Committee until its elimination in June 2026. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, was composed of various City and County officials and representatives of agencies with large cash balances in the pool. As of June 30, 2026, the investment pool was administered by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The provisions of the City's investment policy also address interest rate risk, credit risk, and concentration of credit risk, and provide for additional restrictions related to investments.

3. Cash and Investments (Continued)

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

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

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

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by federal deposit insurance by pledging authorized securities as collateral. The market value of pledged securities must equal at least 110 percent of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. The investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2026 and 2025, all of the banks holding funds deposited by the Treasurer secure those deposits with sufficient collateral.

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

	Investment Maturities (in Months)			
	Under 1	**1–6**	**6–12**	**12–60**
FY 2026	16.1%	18.5%	15.8%	49.6%
FY 2025	20.8%	18.9%	17.5%	42.8%

3. Cash and Investments (Continued)

On June 30, 2026 and 2025, the City's pooled investments have a weighted average maturity of 1.60 years and 1.33 years, respectively.

Cash and Investments Held Outside of City Treasurer's Pool

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

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

On June 30, 2026 and 2025, cash equivalents and investments held by fiscal agents consisted of the following (in thousands):

	2026	2025
Reserve accounts:		
Cash equivalents - U.S. Bank commercial paper	$ 1,236	$ 1,236
Money market mutual fund	–	2,561
Project account:		
Money market mutual fund	3	1,282
Debt service and other accounts:		
Cash equivalents - U.S. Bank commercial paper	4	3
	$ 1,243	$ 5,082

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

A portion of the investments held by the bond trustee consists of the trustee bank's commercial paper (no term). The trustee bank's commercial paper has a Standard & Poor's rating of A-1 and a Moody's rating of P-1 on June 30, 2026 and 2025. The money market mutual fund has a Standard & Poor's rating of AAAm, a Moody's rating of Aaa-mf, and a Fitch rating of AAAmmf on June 30, 2026 and 2025.

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

4. Receivables and Unearned Grants

Receivables consisted of the following on June 30, 2026 and 2025 (in thousands):

	2026	2025
Accounts receivable from tenants and customers	$ 27,083	$ 29,428
Grants receivable	21,282	1,820
Other	1,362	2,114
Subtotal	49,727	33,362
Less allowance for doubtful accounts	(15,430)	(17,718)
Receivables, net	$ 34,297	$ 15,644

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

The Port receives capital and operating funding through various federal, state, and local grant programs. Significant grant receivable balances and related transactions as of June 30, 2026, and 2025, consist of the following:

The COVID-19 state stimulus funding – As of June 30, 2026 and 2025, the Port reported $12,359,000 and $53,293,000, respectively, in unearned grants due primarily to an advance receipt of $117,086,000 in COVID-19 relief funds from the State in fiscal year 2022-23.

Environmental Protection Agency (EPA) Grant & Subaward – In fiscal year 2024-25, the Port was awarded a grant from the EPA. The Port sub awarded a portion of the grant to the San Francisco Bay Area Water Emergency Transportation Authority (SF Bay Ferry) for the construction of port infrastructure, procurement of zero-emissions equipment, and development of a workforce training program. As of June 30, 2026 and 2025, the Port reported $1,454,000 and $1,430,000, respectively, in grants receivable from EPA related to the electric ferry vessels construction expenditures incurred by SF Bay Ferry. Under the same agreement, SF Bay Ferry agrees to reimburse the Port up to $28,000,000 for expenditures related to the project at Mission Bay Ferry Terminal. As of June 30, 2026, the Port also recorded $11,410,000 in grants receivable from SF Bay Ferry as reimbursement of expenditures related to the marine demolition and mattress installation phase of the Mission Bay Ferry Landing project.

Other Capital Project Grants – As of June 30, 2026, the Port recorded other capital grants receivable from various agencies. These included $4,600,000 in grants receivable from the United States Department of Transportation and California State Department of Transportation for the Amador Street Improvement project, $2,911,000 in grants receivable from various agencies for the Pier 80 Fendering project, $675,000 in grants receivable from California Governor's Office of Emergency Services for the Pier 94/96 Seismic Improvements project, $102,000 in grant receivables from California State Department of Transportation for the Pier 96 zero emission trucking project, and remaining $130,000 from various agencies for multiple other projects.

5. Capital Assets

A summary of changes in capital assets for the years ended June 30, 2026 and 2025 are as follows (in thousands):

	Balance June 30, 2025	Increases	Decreases	Balance June 30, 2026
Capital assets not being depreciated/amortized:				
Land	$ 107,810	$ –	$ –	$ 107,810
Construction in process	27,512	45,193	31,654	41,051
Total capital assets not being depreciated/ amortized	135,322	45,193	31,654	148,861
Capital assets being depreciated/amortized:				
Facilities and improvements	877,918	22,991	–	900,909
Machinery and equipment	33,189	1,946	250	34,885
Intangible assets	2,264	–	–	2,264
Intangible lease assets (Note 12)	69,924	–	–	69,924
Dredging	23,478	9,673	–	33,151
Infrastructure	33,929	–	–	33,929
Total capital assets being depreciated/ amortized	1,040,702	34,610	250	1,075,062
Less accumulated depreciation/amortization for:				
Facilities and improvements	450,387	23,421	–	473,808
Machinery and equipment	22,922	1,061	250	23,733
Intangible assets	2,264	–	–	2,264
Intangible lease assets (Note 12)	12,020	2,404	–	14,424
Dredging	19,956	5,523	–	25,479
Infrastructure	25,145	1,573	–	26,718
Total accumulated depreciation/ amortization	532,694	33,982	250	566,426
Total capital assets being depreciated/ amortized, net	508,008	628	–	508,636
Capital assets, net	$ 643,330	$ 45,821	$ 31,654	$ 657,497

5. Capital Assets (Continued)

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated/amortized:				
Land	$ 107,810	$ –	$ –	$ 107,810
Construction in process	11,161	28,545	12,194	27,512
Total capital assets not being depreciated/ amortized	118,971	28,545	12,194	135,322
Capital assets being depreciated/amortized:				
Facilities and improvements	719,763	158,155	–	877,918
Machinery and equipment	33,323	1,819	1,953	33,189
Intangible assets	2,264	–	–	2,264
Intangible lease assets (Note 12)	69,924	–	–	69,924
Dredging	16,354	7,124	–	23,478
Infrastructure	33,929	–	–	33,929
Total capital assets being depreciated/ amortized	875,557	167,098	1,953	1,040,702
Less accumulated depreciation/amortization for:				
Facilities and improvements	428,546	21,841	–	450,387
Machinery and equipment	23,815	1,060	1,953	22,922
Intangible assets	2,264	–	–	2,264
Intangible lease assets (Note 12)	9,617	2,403	–	12,020
Dredging	14,729	5,227	–	19,956
Infrastructure	23,484	1,661	–	25,145
Total accumulated depreciation/ amortization	502,455	32,192	1,953	532,694
Total capital assets being depreciated/ amortized, net	373,102	134,906	–	508,008
Capital assets, net	$ 492,073	$ 163,451	$ 12,194	$ 643,330

Capital Asset Impairment – As of June 30, 2026, operating expenses included an impairment loss of $391,000 related to Drydock #2, reducing the net carrying value of the asset entirely to $0. The impairment was attributable to unexpected damages following the 2025 winter storm.

Capital Assets Held for Sale – Capital assets held for sale represent certain capital assets that the Port has decided to pursue the sale of, for which it is probable that the sale will be finalized within one year from June 30, 2026. As of June 30, 2026, a fully depreciated equipment with a historical cost of $95,000 was held for sale.

Capital Asset Contributions – The Mission Rock (MR) project is governed by the project's Disposition and Development Agreement, Master Lease, and related agreements between the Port and Seawall Lot 337 Associates, LLC, and its affiliates. As part of Phase 1, MR constructed horizontal improvements, including parks, streets, and utilities, as well as four buildings consisting

5. Capital Assets (Continued)

of two primarily multi-family residential buildings and two commercial office and life science buildings. Construction of Phase 1 began in 2019 and was completed in 2025. In February 2025, the Port Commission approved the acceptance of the Port-owned infrastructure, and several agreements related to the management and maintenance of the infrastructure through Resolution No. 25-05 and 25-06. The Port-owned infrastructure includes Port open space assets and Port right-of-way assets (Port assets). The Port accepts the Port assets for maintenance and liability purposes, subject to the Board of Supervisors (BOS) approval of the China Basin Park lease and other land use agreements. In May 2025, the BOS approved the actions of the Port Commission in Resolution No. 25-05 and 25-06 regarding the Phase 1 public infrastructure. In the same month, the BOS approved the China Basin Park lease and other land use agreements through Ordinance No. 060-25, which satisfied the condition of acceptance. For the fiscal year ended June 30, 2026, Port recorded MR Phase 1 horizontal infrastructure additions in the amount of $910,000. For the fiscal year ended June 30, 2025, Port recorded MR Phase 1 horizontal infrastructure, valued at $124,185,000, as Port capital assets.

During the fiscal year ended June 30, 2026, the Port accepted certain Mission Bay Park improvements for Park P19, excluding assets in the park that will be owned and maintained by the San Francisco Public Utilities Commission. The total value of the accepted assets was $648,000.

During the fiscal year ended June 30, 2025, the Port accepted Mission Bay Park improvements for Park P22, known as Bayfront Park. The improvements were constructed by the master developer of Mission Bay on Port-owned land under the direction of the Office of Community Investment and Infrastructure. The total value of the accepted assets was estimated at $29,585,000.

Others – Facilities and improvements include pier substructures, which have an estimated useful life greater than 50 years. The cost of such long-lived assets totaled $147,432,000 and $146,100,000 as of June 30, 2026 and 2025, respectively.

6. Other Noncurrent Assets

On June 30, 2026 and 2025, other unrestricted noncurrent assets were $1,627,000 and $1,841,000, respectively. Other unrestricted noncurrent assets include the long-term portion of the lease or other agreement obligations from tenants and customers. During fiscal year 2016-17, the Port and a developer entered into a promissory note for $1,500,000 to cover the cost of seismic and structural repairs to Building 113 at Pier 70. As of June 30, 2026 and 2025, the remaining principal balance was $757,000 and $906,000, respectively. On June 30, 2026 and 2025, the account balance includes interest receivable of $101,000 and $125,000, respectively, on the outstanding principal balance at the rate of 4.41% per annum, simple interest.

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

6. Other Noncurrent Assets (Continued)

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

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

- Pier 70 Promissory Note LP and its companion Promissory Note X, effective February 2019, with a principal balance of $24,230,000 at a quarterly compounded interest rate of 3.89%. As of June 30, 2026 and 2025, the Port accrued interest receivable in the amounts of $8,008,000 and $6,784,000, respectively.

- Pier 70 Promissory Note PC and its companion Promissory Note PCX, effective December 2018, with a principal balance of $6,500,000 at an annual interest rate of 10%. As of June 30, 2026 and 2025, the principal balance increased to $6,565,000, with the inclusion of reimbursable appraisal costs added to the principal balance. As of June 30, 2026 and 2025, the Port accrued interest receivable in the amounts of $6,831,000 and $5,613,000, respectively.

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

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

- Mission Rock Promissory Note, related to ground leases for parcels A, B, F, and G, has an outstanding principal balance of $43,000,000 on June 30, 2026 and 2025 with an annual interest rate of 4.48%. In fiscal year 2019-20, the promissory note balance of $7,900,000 related to the ground lease for parcel G and 10% of parcels A, B, and F was executed. In October 2020, the promissory note balance of the remaining 90% of the ground leases for parcels A, B, and F was executed, increasing the value of the promissory note to $43,000,000. As of June 30, 2026 and 2025, the Port accrued interest receivable in the amounts of $12,412,000 and $10,036,000, respectively.

  Under the Mission Rock Disposition and Development Agreement, the horizontal developer can ground lease all parcels. The ground leases for parcels A, B, F, and G were between the Port and vertical developer affiliates of the horizontal developer. Under the agreement, vertical developers leasing the initial parcels at the project prepay rent to the Port. Vertical developers that are affiliates of the horizontal developer can prepay in the form of a credit bid, which is a credit reducing a balance owed. The Port then lends the prepaid rent (whether in cash or as a

6. Other Noncurrent Assets (Continued)

credit bid) to Mission Rock CFD. Mission Rock CFD credits or transfers in cash the prepaid rent to the horizontal developer to acquire facilities and, in turn, owes the Port the appraised value ($43,000,000) of the parcels evidenced by the above-mentioned promissory note. As of June 30, 2026 and 2025, Mission Rock CFD credited the balance owed to the horizontal developer in the amount of $43,000,000. In April 2021 and July 2023, the Port was notified of Mission Rock horizontal improvement Phase 1 budget increases. Subsequently, in October 2023, the Port Commission approved a new Phase 1 budget along with a Port capital investment of up to $16,525,000 through Resolution 23-46, an amount reflecting the estimated increased City costs to be incurred through the completion of Phase 1. Mission Rock Promissory Note PC, pertaining to a capital advance the Port made in fiscal year 2024-25 to fund the final costs associated with completing Phase 1 improvements of the Mission Rock Project, carries a principal balance of $10,501,000 at an annual interest rate of 10%. Part of the Port capital advance up to $1,859,000 is to be reimbursed by immediately available Project Payment Sources. In fiscal year 2025-26, the Port made an additional contribution in the amount of $3,548,000. The Note evidences the promise to repay the Port by Mission Rock CFD, including interest accrued on the unpaid principal balance. In fiscal year 2025-26, the Port received a repayment of $1,099,000. As of June 30, 2026 and 2025, the Port recorded a long-term note receivable of $12,190,000 and $8,952,000, respectively, and an interfund due from Mission Rock CFD of $760,000 and $1,549,000, respectively. The Port accrued interest receivable in the amount of $1,990,000 and $670,000, respectively.

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

Infrastructure Financing Districts

The City (acting through the Port) and the Infrastructure Financing District (IFD) that covers the Historic Core at Pier 70, Sub-Project Area G-1, executed a promissory note on June 18, 2024. The note documents a loan from the Port to the IFD to finance the relocation of electrical systems to Building 102 at the project site. The IFD will repay the loan to the Port with the Allocated Tax Increment generated in Sub-Project Area G-1. The promissory note has a principal balance of $4,358,000, which represents the Port's cumulative disbursements to the IFD since fiscal year 2017-18. Interest is accrued annually at a compounded interest rate of 4.40%. As of June 30, 2026 and 2025, the Port has a long-term note receivable from the IFD of $0 and $678,000, respectively. The Port also recorded a due from IFD in the amount of $4,358,000 and $3,680,000 as of June 30, 2026 and 2025, reflecting near-term repayment of the promissory note. As of June 30, 2026 and 2025, the Port accrued interest receivable in the amount of $1,411,000 and $1,492,000, respectively, and an interest due from IFD in the amount of $338,000 as of June 30, 2026. Other eligible IFD reimbursable costs incurred by the Port include $175,000 related to streetscape improvements as of June 30, 2026 and 2025, and $3,057,000 and $2,960,000 related to Phase 2 improvements for Crane Cove Park as of June 30, 2026 and 2025, respectively.

6. Other Noncurrent Assets (Continued)

Although the City and the IFD expect full satisfaction of the reimbursable costs incurred, repayment by the IFD towards the reimbursable costs incurred are not expected in the near term, and the specific timing of repayment is uncertain. As such, the Port has recorded a full allowance against the reimbursable costs.

In fiscal year 2025-26, the Port also recorded $307,000 in due from other City funds as cost reimbursement from CFDs and IFDs.

7. Bonds, Loans and Other Payables

The changes in bonds, loans, and other payables for the years ended June 30, 2026 and 2025 are as follows (in thousands):

	Balance June 30, 2025	Additional Obligations and Net Increases	Retirements and Net Decreases	Balance June 30, 2026	Amounts Due Within One Year
Long-term debt:					
Revenue bonds	$ 34,865	$ -	$ 1,890	$ 32,975	$ 1,945
Certificates of participation	23,245	18,390	23,905	17,730	750
Net of premiums/discounts:					
For issuance premiums	3,457	1,765	1,105	4,117	–
Total bonds payable	61,567	20,155	26,900	54,822	2,695
Other payables:					
Loan payables	5,233	–	532	4,701	556
Lease liabilities (Note 12)	64,307	–	1,777	62,530	2,052
Accrued compensated absences	7,740	6,804	5,718	8,826	4,763
Accrued workers' compensation (Note 15)	4,203	1,940	1,099	5,044	1,262
Estimated claims payable (Note 15)	675	169	94	750	425
Pollution remediation obligations (Note 14)	16,835	300	8,380	8,755	1,725
Long-term obligations	$ 160,560	$ 29,368	$ 44,500	$ 145,428	$ 13,478

	Balance June 30, 2024	Additional Obligations and Net Increases	Retirements and Net Decreases	Balance June 30, 2025	Amounts Due Within One Year
Long-term debt:					
Revenue bonds	36,705	–	1,840	$ 34,865	1,890
Certificates of participation	24,025	–	780	23,245	815
Net of premiums/discounts:					
For issuance premiums	3,674	–	217	3,457	–
Total bonds payable	64,404	–	2,837	61,567	2,705
Other payables:					
Loan payables	5,742	–	509	5,233	532
Lease liabilities (Note 12)	65,881	–	1,574	64,307	1,777
Accrued compensated absences	7,117	5,542	4,919	7,740	4,064
Accrued workers' compensation (Note 15)	3,447	2,053	1,297	4,203	961
Estimated claims payable (Note 15)	500	361	186	675	475
Pollution remediation obligations (Note 14)	16,030	1,234	429	16,835	9,335
Long-term obligations	$ 163,121	$ 9,190	$ 11,751	$ 160,560	$ 19,849

7. Bonds, Loans and Other Payables (Continued)

Annual debt service requirements for all bonds and loans outstanding as of June 30, 2026 are as follows (in thousands):

Fiscal Year Ending	Revenue Bonds		Certificates of Participation	
June 30	Principal	Interest	Principal	Interest
2027	$ 1,945	$ 1,325	$ 750	$ 904
2028	2,000	1,265	785	867
2029	2,070	1,201	825	828
2030	2,135	1,135	865	786
2031	1,635	1,065	910	743
2032-2036	9,340	4,142	4,865	3,005
2037-2041	10,170	1,927	5,670	1,708
2042-2044	3,680	307	3,060	243
Total	$ 32,975	$ 12,367	$ 17,730	$ 9,084
Remaining interest rates		2.14% - 5.00%		5.00% - 5.25%

Fiscal Year Ending	State Loan Payables		Total	
June 30	Principal	Interest	Principal	Interest
2027	$ 556	$ 212	$ 3,251	$ 2,441
2028	581	187	3,366	2,319
2029	607	159	3,502	2,188
2030	403	133	3,403	2,054
2031	421	115	2,966	1,923
2032-2036	2,109	272	16,314	7,419
2037-2041	24	1	15,864	3,636
2042-2044	–	–	6,740	550
Total	$ 4,701	$ 1,079	$ 55,406	$ 22,530
Remaining interest rates		4.50%		

Revenue Bonds

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

7. Bonds, Loans and Other Payables (Continued)

In May 2014, the Port issued $22,675,000 in revenue bonds in two series: an AMT tax-exempt series (Series 2014A) and a taxable series (Series 2014B). Series 2014A included serial and term bonds totaling $19,880,000 with coupon rates ranging from 3.00% to 5.00% and maturities from March 2020 to March 2044. Series 2014A bonds with scheduled maturities on or after March 2025 are subject to redemption as a whole or in part at the sole option of the Port at any time on or after March 2024 at redemption prices specified in the bond indenture. Under the terms of the bond indenture, the Port is required to deposit in a debt service reserve fund with a bond trustee amounts equal to the Series 2014A reserve requirement. The Series 2014A reserve requirement is an amount equal to the lesser of: a) the maximum annual debt service with respect to the Series 2014A bonds, b) 125% of the average annual debt service on the Series 2014A bonds, c) 10% of the initial principal amount of the Series 2014A bonds, or d) the sum of $651,000, which is the initial deposit into the reserve fund, plus any amounts available to be transferred from the Series 2014B reserve account pursuant to the bond indenture. Funds on deposit in the Series 2014A reserve fund are only for the benefit of the Series 2014A bondholders. At June 30, 2026, the Port complied with the Series 2014A reserve requirement. The Series 2014B Bond was fully repaid as of March 2020.

In February 2020, the Port issued $23,780,000 in refunding revenue bonds in two series: a non-AMT tax-exempt series (Series 2020A) and a taxable series (Series 2020B). The purpose of the issuance of the Series 2020A and Series 2020B Bonds was to refund all outstanding Series 2010A and Series 2010B in the aggregate principal amount of $29,865,000. Series 2020A, originally issued for a total of $10,885,000, has serial bonds of $10,885,000 outstanding at June 30, 2026 and 2025 with remaining coupon rates from 4.000% to 5.000% and remaining maturities from March 2031 through March 2040. Series 2020B, original issue total of $12,895,000, has serial bonds of $5,455,000 and $6,750,000 outstanding at June 30, 2026 and 2025, respectively, with remaining coupon rates from 2.143% to 2.408% and remaining maturities from March 2027 through March 2030. The Series 2020A and Series 2020B Bonds are not secured by a debt service reserve fund. Deferred outflows of resources from refunding of debt were $122,000 and $130,000 as of June 30, 2026 and 2025, respectively.

The Port has pledged future net revenues to repay the Revenue Bonds. As of June 30, 2026, the total principal and interest remaining to be paid on the bonds is $45,342,000. The principal and interest payments made in fiscal year 2025-26 were $3,271,000, and the net revenue (total net operating income calculated in accordance with the bond Indenture) was $41,147,000. The principal and interest payments made in fiscal year 2024-25 were $3,273,000, and the net revenue (total net operating income calculated in accordance with the bond Indenture) was $45,356,000.

While revenue bonds are outstanding, the Port may not create liens on its property essential to its operations or dispose of any property essential to maintaining operating activity at a level necessary for it to meet its covenants, including its covenant to maintain net revenue coverage. The Port is also required to maintain specified insurance or qualified self-insurance. The Port is not required to carry earthquake insurance. Covenants of the Indenture include that the Port will manage its business operations, establish and maintain rentals, fees and charges for the use of Port property and for services provided by the Port so that the net revenue without consideration of a revenue stabilization fund, as defined in the Indenture, in each fiscal year will be at least equal to 100% of aggregate annual debt service for such fiscal year. As of June 30, 2026, the Port has satisfied the debt service coverage covenant.

7. Bonds, Loans and Other Payables (Continued)

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

The revenue bonds are subject to an arbitrage rebate requirement. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 21, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that earnings from the investment of tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on the fifth anniversary of each bond issue. There was no cumulative arbitrage liability with respect to the revenue bonds as of June 30, 2026 and 2025.

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

Certificates of Participation

In May 2012, the Board of Supervisors authorized the City to issue $45 million in certificates of participation (COPs) to finance various facilities and improvements under the jurisdiction of the Port, including the construction of a primary cruise terminal at Pier 27. The public sale of $37,700,000 in COPs was completed in October 2013. The COPs were issued in two series, consisting of Series 2013B (Non-AMT) in the amount of $4,830,000 and Series 2013C (AMT) in the amount of $32,870,000. Series 2013B certificates will mature in March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C certificates mature March 2014 through March 2043 and carry coupon rates between 4.00% and 5.25%. The COPs with scheduled maturities on or after March 2023 are subject to redemption at specified prices at the option of the City.

In February 2025, the Board of Supervisors authorized the City to issue $25 million in certificates of participation (COPs) to refund Series 2013B (Non-AMT) and 2013C (AMT). The public sale of $18,390,000 in COPs was completed in November 2025, to repay outstanding Series 2013B and Series 2013C COPs in the aggregate principal amount of $23,245,000. The COPs were issued in two series, consisting of Series 2025-R2 (Non-AMT) in the amount of $2,710,000 and Series 2025-R3 (AMT) in the amount of $15,680,000. Series 2025-R2 certificates will mature April 2035 through April 2038 and carry a coupon rate of 5.00%. Series 2025-R3 certificates will mature April 2026 through April 2043 and carry coupon rates between 5.00% and 5.25%. The refunding resulted in a net present value savings (economic gain) of $1,452,000 and an accounting gain from refunding of debt of $856,000. Deferred inflows of resources from refunding of debt were $827,000 as of June 30, 2026.

7. Bonds, Loans and Other Payables (Continued)

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

Cal Boating Loans

The Port has entered into a loan agreement with the California Division of Boating and Waterways (Cal Boating) for $3,500,000 to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port, and interest accrues at a rate of 4.5% per annum on the unpaid balance over 30 years. The project was completed in 2002, and annual payments commenced on August 1, 2002. The loan is secured by gross revenues as defined in the loan agreement. As of June 30, 2026, the total principal and interest remaining to be paid on this loan are $695,000. Annual principal and interest payments were $231,000 in fiscal years 2025-26 and 2024-25, and pledged harbor revenues were $177,000 and $196,000 for the years ended June 30, 2026 and 2025, respectively. The loan contains a provision that in the event the Port fails, in whole or in part, to make any payment due under the loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment payment made by the Port is less than the amount required under the terms of the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

Effective May 1, 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (SBH) from the Office of Community Investment and Infrastructure, including three loans provided by Cal Boating, which totaled $6,144,000 and accrue interest at a rate of 4.5% per annum. As of June 30, 2026, the total principal and interest remaining to be paid on the loans are $5,085,000.

These loans are secured by net revenues as defined in the loan agreements. Annual principal and interest payments were $536,000 in 2026 and 2025, and pledged net revenues were $1,312,000 and $1,782,000 for the years ended June 30, 2026 and 2025, respectively. Cal Boating may take possession of the operations if, after ninety days written notice, the Port remains in breach of any of the provisions of the Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

7. Bonds, Loans and Other Payables (Continued)

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

Segment information

Summary financial information with individual activities for the Port as of June 30, 2026 and 2025 is presented below. Additional details are included in the supplemental schedules on pages 86 to 89.

Condensed statements of net position (in thousands)

Net Position by Activity

	June 30, 2026			June 30, 2025		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Assets						
Current and other assets	$ 1,031,380	$ 27,945	$ 1,059,325	$ 1,083,143	$ 22,096	$ 1,105,239
Capital assets	638,473	19,024	657,497	624,141	19,189	643,330
Total assets	1,669,853	46,969	1,716,822	1,707,284	41,285	1,748,569
Deferred outflows of resources	27,698	–	27,698	27,006	–	27,006
Liabilities						
Current liabilities	48,389	1,448	49,837	52,119	1,842	53,961
Noncurrent liabilities	240,904	3,803	244,707	287,741	4,142	291,883
Total liabilities	289,293	5,251	294,544	339,860	5,984	345,844
Deferred inflows of resources	426,736	13,880	440,616	456,141	8,861	465,002
Net position						
Net investment in capital assets	479,338	14,748	494,086	458,013	14,673	472,686
Restricted	144,206	–	144,206	149,524	–	149,524
Unrestricted	357,978	13,090	371,068	330,752	11,767	342,519
Total net position	$ 981,522	$ 27,838	$ 1,009,360	$ 938,289	$ 26,440	$ 964,729

7. Bonds, Loans and Other Payables (Continued)

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

	Year Ended June 30, 2026			Year Ended June 30, 2025		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Revenues:						
Operating revenues	$ 132,704	$ 5,961	$ 138,665	$ 126,971	$ 6,044	$ 133,015
Nonoperating revenues and unusual or infrequent items						
Noncapital subsidies from others	29,927	114	30,041	3,361	–	3,361
Other nonoperating revenues	71,988	156	72,144	324,075	149	324,224
Unusual or infrequent item	–	–	–	51,618	–	51,618
Total nonoperating revenues and unusual infrequent item	101,915	270	102,185	379,054	149	379,203
Total revenues	234,619	6,231	240,850	506,025	6,193	512,218
Expenses:						
Operating expenses	177,839 *	4,649	182,488	146,303 *	4,262	150,565
Nonoperating expenses						
Noncapital subsidies to others	5,600	–	5,600	4,652	–	4,652
Other nonoperating expenses	7,947	184	8,131	16,213	199	16,412
Total nonoperating expenses	13,547	184	13,731	20,865	199	21,064
Total expenses	191,386	4,833	196,219	167,168	4,461	171,629
Change in net position	43,233	1,398	44,631	338,857	1,732	340,589
Net position, beginning of year	938,289	26,440	964,729	599,432	24,708	624,140
Net position, end of year	$ 981,522	$ 27,838	$ 1,009,360	$ 938,289	$ 26,440	$ 964,729

* Includes SBH pension and OPEB expenses.

Condensed statements of cash flows (in thousands)

	Year Ended June 30, 2026			Year Ended June 30, 2025		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Net cash provided by (used in):						
Operating activities	$ (62,621)	$ (2,170)	$ (64,791)	$ (35,146)	$ 466	$ (34,680)
Noncapital financing activities	5,204	114	5,318	48,969	–	48,969
Capital and related financing activities	(9,359)	2,496	(6,863)	132,350	(1,643)	130,707
Investing activities	19,577	–	19,577	24,266	–	24,266
Increase (decrease) in cash and cash equivalents	(47,199)	440	(46,759)	170,439	(1,177)	169,262
Cash and cash equivalents						
Beginning of year	592,049	13,863	605,912	421,610	15,040	436,650
End of year	$ 544,850	$ 14,303	$ 559,153	$ 592,049	$ 13,863	$ 605,912

8. Retirement Plan

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

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

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

	2026	2025
Valuation Date	June 30, 2024 updated to June 30, 2025	June 30, 2023 updated to June 30, 2024
Measurement Date	June 30, 2025	June 30, 2024
Measurement Period	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024

The Retirement System Plan – The City is an employer of the Retirement System Plan with a proportionate share of 95.08% as of the June 30, 2025 measurement date and 94.70% as of the June 30, 2024 measurement date. The Port's allocation percentage was determined based on the Port's employer contributions divided by the City's total employer contributions for each measurement period. The Port's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense/(benefits) are based on the Port's allocated percentage. The Port's allocation of the City's proportionate share was approximately 0.83% as of the June 30, 2025 measurement date and 0.84% as of the June 30, 2024 measurement date.

8. Retirement Plan (Continued)

The Replacement Benefits Plan – The Port allocation percentage was determined based on the Port's headcount (both active members and retirees) divided by the City's total headcount for fiscal year 2024-25. The Port's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense are based on the Port's allocated percentage. The Port's allocation of the City's proportionate share was 0.17% as of the June 30, 2025 measurement date and 0.28% as of the June 30, 2024 measurement date.

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

Retirement System Plan Benefits – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual cost of living adjustments (COLA) after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Retirement System Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of Retirement System Plan members are:

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

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

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

8. Retirement Plan (Continued)

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The Retirement System Plan provides for a Supplemental COLA in years when earnings in excess of the expected earnings on the actuarial value of the asset, subject to certain criteria. The maximum benefit adjustment each July 1 is 3.5% including Basic COLA. Proposition A passed on November 8, 2022, making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the fair value of assets. Under Proposition A, Pre96 Retirees receive the same Supplemental COLAs as members hired after November 6, 1996 and before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on or after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Retirement System Plan is fully funded on a market value of assets basis, and in addition, for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

The Retirement System Plan – Contributions are made by both the City and participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2025-26 and fiscal year 2024-25 varied from 7.5% to 11.0% as a percentage of gross covered salary. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2024 actuarial report, the required employer contribution rate for fiscal year 2025-26 was 14.53% to 16.53%, and based on the July 1, 2023 actuarial report, the required employer contribution rate for fiscal year 2024-25 was 14.91% to 16.91%.

Employer contributions and employee contributions made by the employer to the Retirement System Plan are recognized when due, and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2025 and 2024 (measurement years) were $652.0 million and $637.0 million, respectively. The Port's allocation of employer contributions for fiscal years 2024-25 and 2023-24 were $5,463,000 and $5,289,000, respectively.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $3.1 million in replacement benefits in the years ended June 30, 2026 and 2025.

8. Retirement Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2026, the City reported a net pension liability (NPL) for its proportionate share of the net pension liability of the Retirement System Plan and net pension liability of RBP of $4.30 billion. The City's net pension liability for the Retirement System Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Retirement System Plan is measured as of June 30, 2025 (measurement date), and the total pension liability for the Retirement System Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to June 30, 2025 using standard update procedures. As of June 30, 2025, the City reported a net pension liability (NPL) for its proportionate share of the net pension liability of the Retirement System Plan and net pension liability of RBP of $3.91 billion. The City's net pension liability for the Retirement System Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Retirement System Plan is measured as of June 30, 2024 (measurement date), and the total pension liability for the Retirement System Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 and June 30, 2023, respectively, rolled forward to June 30, 2024 using standard update procedures.

The City's proportion of the net pension liability for the Retirement System Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's allocation of the City's proportionate share of the net pension liability for the Retirement System Plan as of June 30, 2026 and 2025 were $34,527,000 and $31,656,000, respectively. The Port's allocation of the total pension liability for the RBP as of June 30, 2026 and 2025 were $228,000 and $381,000, respectively.

For the years ended June 30, 2026 and 2025, the City's recognized pension expense, including amortization of deferred outflows/inflows related to pension items, were $678,186,000 and $734,418,000, respectively. Pension expense decreased from the prior year, representing the change in the net impact on the City's Statement of Net Position plus SFERS employer contribution and RBP actual benefits paid. The Port's allocation of pension expenses including amortization of deferred outflows/inflows related to pension items for fiscal years 2025-26 and 2024-25, were $5,438,000 and $6,982,000, respectively.

At June 30, 2026, the Port reported deferred outflows of resources and deferred inflows of resources related to pension were the following (in thousands):

	June 30, 2026			
	The Retirement System Plan		Replacement Benefits Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,480	$ -	$ -	$ -
Differences between expected and actual experience	7,724	-	38	24
Change in assumptions	1,238	-	-	61
Net difference between projected and actual earnings on pension plan investments	6,389	-	-	-
Change in employer's proportionate share	456	189	202	112
	$ 21,287	$ 189	$ 240	$ 197

8. Retirement Plan (Continued)

At June 30, 2026, the Port reported $5,480,000 as deferred outflow of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability in the reporting year ended June 30, 2027.

At June 30, 2025, the Port reported deferred outflows of resources and deferred inflows of resources related to pension for the Retirement System Plan were the following (in thousands):

	June 30, 2025			
	The Retirement System Plan		Replacement Benefits Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,463	$ -	$ -	$ -
Differences between expected and actual experience	4,990	-	33	66
Change in assumptions	2,497	761	4	65
Net difference between projected and actual earnings on pension plan investments	5,849	-	-	-
Change in employer's proportionate share	804	269	82	180
	$ 19,603	$ 1,030	$ 119	$ 311

At June 30, 2025, the Port reported $5,463,000 as deferred outflow of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability in the reporting year ended June 30, 2026.

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

	Deferred Outflows/(Inflows) of Resources		
Year Ending June 30	The Retirement System Plan	Replacement Benefits Plan	Total
2027	$ 11,775	$ (9)	11,766
2028	2,432	18	2,450
2029	934	(1)	933
2030	477	35	512

8. Retirement Plan (Continued)

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total pension liability/asset for both the Retirement System Plan and RBP as of June 30, 2025 and 2024 (measurement years) is provided below. This includes any assumptions that differ from those used in actuarial valuations as of July 1, 2024. Refer to the July 1, 2024 actuarial valuation reports for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

	The Retirement System Plan		Replacement Benefits Plan	
	2026	2025	2026	2025
Valuation Date	July 1, 2024 updated to June 30, 2025	July 1, 2023 updated to June 30, 2024	July 1, 2024 updated to June 30, 2025	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost	Entry-Age Normal Cost	Entry-Age Normal Cost
Expected Rate of Return	7.2% net of pension plan investment	7.2% net of pension plan investment		
Municipal Bond Yield	5.20% as of June 30, 2025	3.93% as of June 30, 2024	5.20% as of June 30, 2025	3.93% as of June 30, 2024
	Bond Buyer 20-Bond-GO Bond Index	Bond Buyer 20-Bond-GO Bond Index	Bond Buyer 20-Bond-GO Bond Index	Bond Buyer 20-Bond-GO Bond Index
	June 27, 2024 and June 26, 2025	June 29, 2023 and June 27, 2024	June 27, 2024 and June 26, 2025	June 29, 2023 and June 27, 2024
Discount Rate	7.20% as of June 30, 2025	7.20% as of June 30, 2024	5.20% as of June 30, 2025	3.93% as of June 30, 2024
Administrative Expenses	0.60% of payroll as of June 30, 2025	0.60% of payroll as of June 30, 2024	0.60% of payroll as of June 30, 2025	0.60% of payroll as of June 30, 2024

Changes of assumptions – For the Retirement System Plan, there were no changes in the discount rate for the measurement period ended June 30, 2025. The municipal bond yield increased from 3.93% to 5.20%. For the RBP, the discount rate for the measurement period ended June 30, 2025 and the municipal bond yield increased from 3.93% to 5.20%.

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

The actuarial assumptions used at the June 30, 2025 measurement date were based upon the results of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic assumptions as of July 1, 2024.

Discount Rate

The Retirement System Plan – The beginning and end-of-year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate used to measure the total pension liability was 7.20% as of June 30, 2025 (measurement date) and June 30, 2024 (measurement date). The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2024 and 2023 actuarial valuations. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years.

8. Retirement Plan (Continued)

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

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

A 1.50% Supplemental COLA is expected to be payable as of July 1, 2025 for most non-Prop C members due to the favorable investment returns for fiscal year ended 2025. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

June 30, 2025 and 2024 Valuations

	1996 - Prop C	Before 11/06/96 or after Prop C
2027 and thereafter	0.75%	0.50%
2026 and thereafter	0.75%	0.50%

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make future benefit payments for current members through 2108. As of June 30, 2025 and 2024 (measurement periods), projected benefit payments are discounted at the long-term expected return on assets of 7.20%, to the extent the fiduciary net position is available to make the payments, and at the municipal bond rate of 5.20% and 3.93%, respectively, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2025 and 2024 (measurement date) was 7.20%.

8. Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was 7.20%, as of June 30, 2025 and 2024 (measurement periods). It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class as of June 30, 2025 and 2024 (measurement periods) are summarized in the following table.

	June 30, 2025 Valuation		June 30, 2024 Valuation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	32.0%	3.7%	37.0%	4.2%
Treasuries	8.0%	1.8%	8.0%	1.8%
Public Credit	12.0%	3.8%	5.0%	3.9%
Private Credit	10.0%	6.2%	10.0%	5.9%
Private Equity	20.0%	8.2%	23.0%	7.2%
Real Assets	10.0%	5.6%	10.0%	5.5%
Absolute Return	10.0%	3.9%	10.0%	4.4%
Cash	1.0%	1.1%	0.0%	1.2%
Leverage	-3.0%	1.4%	-3.0%	1.6%

Replacement Benefits Plan **–** The beginning and end-of-year measurements are based on different assumptions that result in different discount rates. The discount rate was 5.20% and 3.93% as of June 30, 2025 and 2024, respectively. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 27, 2024 and June 26, 2025. These are the rates used to determine the total pension liability as of June 30, 2025.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $280,000 and $275,000 for June 30, 2025 and 2024 (measurement dates) were used.

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

On June 30, 2026, the City's membership in the RBP had a total of 847 active members and 161 retirees and beneficiaries currently receiving benefits. The Port has six active members and one retiree or beneficiary currently receiving benefits.

8. Retirement Plan (Continued)

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

June 30, 2025 (Measurement Year) ($000's)			June 30, 2024 (Measurement Year) ($000's)		
1% Decrease Share of NPL /(NPA) @ 6.20%	Allocated Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%	1% Decrease Share of NPL /(NPA) @ 6.20%	Allocated Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%
$ 77,909	$ 34,527	$ (1,214)	$ 72,872	$ 31,656	$ (2,305)

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

June 30, 2025 (Measurement Year) ($000's)			June 30, 2024 (Measurement Year) ($000's)		
1% Decrease @ 4.20%	Measurement Date @ 5.20%	1% Increase @ 6.20%	1% Decrease @ 2.93%	Measurement Date @ 3.93%	1% Increase @ 4.93%
$ 265	$ 228	$ 198	$ 450	$ 381	$ 327

9. Health Service System

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

The City Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the health care benefits. That report can be found on its website http://www.myhss.org or may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or by calling (800) 541-2266.

10. Other Postemployment Benefits (OPEB)

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

10. Other Postemployment Benefits (OPEB) (Continued)

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

San Francisco Health Service System Retiree Plan

	2026	2025
Valuation Date	June 30, 2025	June 30, 2024
Measurement Date	June 30, 2025	June 30, 2024
Measurement Period	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024

The Port's proportionate share percentage of the OPEB Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2025 and 2024 (measurement dates). The Port's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows, and OPEB expense allocated to each department are based on the Port's allocated percentage. The Port's proportionate share of the City's OPEB elements were 0.78% and 0.75% as of June 30, 2025 and 2024 (measurement dates), respectively.

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

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

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

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

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

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

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

10. Other Postemployment Benefits (OPEB) (Continued)

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

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

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

Additional or existing contribution requirements may be established or modified by amendment to the City's Charter. For the fiscal years ended June 30, 2026 and 2025, the City's funding was based on "pay-as-you-go" plus a contribution of $54.5 million and $52.1 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portions paid by the City were $263.8 million for a total contribution of $318.3 million for the year ended June 30, 2026, and $248.8 million for a total contribution of $300.9 million for the year ended June 30, 2025. The Port's proportionate share of the City's contributions for the fiscal years 2025-26 and 2024-25 were $2,467,000 and $2,246,000, respectively.

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB – As of June 30, 2026 and 2025, the City reported net OPEB liabilities related to the OPEB Plan of $3.9 billion. The Port's proportionate share of the City's net OPEB liability as of June 30, 2026 and 2025 were $30,525,000 and $29,284,000, respectively.

For the years ended June 30, 2026 and 2025, the City's recognized OPEB expense in the amount of $298.4 million and $259.6 million, respectively. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Port's proportionate share of the City's OPEB expense were $4,686,000 and $1,247,000, respectively for the years ended June 30, 2026 and 2025.

10. Other Postemployment Benefits (OPEB) (Continued)

As of June 30, 2026, the Port reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

	June 30, 2026	
Dollars in thousands	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,467	$ —
Differences between expected and actual experience	527	1,863
Changes in assumptions	934	—
Net difference between projected and actual earnings on plan investments	—	444
Change in proportion	2,121	1,491
Total	$ 6,049	$ 3,798

At June 30, 2026, the Port reported $2,467,000 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability in the reporting year ending June 30, 2027.

As of June 30, 2025, the Port reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources (in thousands):

	June 30, 2025	
Dollars in thousands	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,246	$ —
Differences between expected and actual experience	883	2,743
Changes in assumptions	1,246	—
Net difference between projected and actual earnings on plan investments	—	328
Change in proportion	2,779	856
Total	$ 7,154	$ 3,927

At June 30, 2025, the Port reported $2,246,000 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability in the reporting year ending June 30, 2026.

10. Other Postemployment Benefits (OPEB) (Continued)

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

Year ending June 30:	Deferred Outflows/(Inflows) of Resources
2027	$ (239)
2028	(191)
2029	519
2030	(100)
2031	(151)
Thereafter	(154)

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2025 and 2024 (measurement dates) is provided below:

Valuation Dates	June 30, 2025 and June 30, 2024
Measurement Dates	June 30, 2025 and June 30, 2024
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.62% and 6.87%, respectively, trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 6.62% and 6.87, respectively, and trending down to ultimate rate of 3.94% and 3.93% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually

10. Other Postemployment Benefits (OPEB) (Continued)

Mortality Tables

Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Disabled	1.045	1.003
Safety	PubS-2010 Disabled	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale for the actuarial valuation as of June 30, 2025 and 2024.

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

	($000's)		
Measurement Year	**1% Decrease**	**Baseline**	**1% Increase**
June 30, 2025	$ 25,153	$ 30,525	$ 37,212
June 30, 2024	$ 24,680	$ 29,284	$ 34,992

10. Other Postemployment Benefits (OPEB) (Continued)

Discount Rate – The discount rates used to measure the total OPEB liability as of June 30, 2025 and 2024 were 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the OPEB Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Retiree Healthcare Trust Fund as of June 30, 2025 and 2024 (measurement periods). Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Retiree Healthcare Trust Fund's asset allocation.

Target allocation as of June 30, 2025 and 2024 (measurement periods) for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

	June 30, 2025 Valuation	
Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Equities		
U.S. Large Cap	25.0%	5.6%
U.S. Small Cap	2.0%	6.3%
Developed Market Equity (non-U.S.)	13.0%	5.8%
Emerging Market Equity	10.0%	5.8%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.3%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	2.5%
Short-term Treasury Inflation Protected Securities	5.0%	1.4%
Private Markets		
Private Equity	10.0%	7.0%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.6%
Infrastructure (Core Private)	2.0%	6.3%
Risk Mitigating Strategies		
Global Macro	10.0%	2.0%
Total	100.0%	

10. Other Postemployment Benefits (OPEB) (Continued)

Asset Class	June 30, 2024 Valuation Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	5.5%
U.S. Small Cap	2.0%	6.4%
Developed Market Equity (non-U.S.)	13.0%	5.9%
Emerging Market Equity	10.0%	5.9%
Credit		
Bank Loans	3.0%	3.7%
High Yield Bonds	3.0%	3.9%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	1.9%
Short-term Treasury Inflation Protected Securities (TIPS)	5.0%	0.9%
Private Markets		
Private Equity	10.0%	6.9%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.2%
Infrastructure (Core Private)	2.0%	6.0%
Risk Mitigating Strategies		
Global Macro	10.0%	1.6%
Total	100.0%	

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

	($000's)		
Measurement Year	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
June 30, 2025	$ 36,257	$ 30,525	$ 25,822
June 30, 2024	$ 34,520	$ 29,284	$ 24,987

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

11. Related Party Transactions

The Port receives services from, and provides services to, various City departments that are categorized in the various operating expense line items in the statements of revenues, expenses and changes in net position. The Port continues to evaluate its payments to the City's General Fund and various City departments to ensure that they support activities within the Port area and to refine the methodologies used for the allocation of City direct and indirect costs. In fiscal year 2025-26, services provided by other City departments included $10,617,000 of insurance premiums and $1,039,000 in workers' compensation expense. In fiscal year 2024-25, services provided by other City departments included $10,839,000 of insurance premiums and $1,297,000 in workers' compensation expense.

Services provided by City departments include: fireboat operations and maintenance from the Fire Department, legal and litigation-related services from the City Attorney's Office, street cleaning, direct and contractual services from San Francisco Public Works, services provided by the City Purchaser, contract compliance services by the City Administrator's Contract Monitoring Division, security services from the Police Department, risk management consulting services through the City Risk Manager, parking enforcement and parking meter system maintenance and collection services from and through the San Francisco Municipal Transportation Agency (SFMTA), communications and network services from the Department of Technology and real estate services from the Department of Real Estate. Charges for electrical service provided by the San Francisco Public Utilities Commission (SFPUC), included in utilities on the statements of revenues, expenses and changes in net position, were $3,187,000 and $1,994,000 in fiscal years 2025-26 and 2024-25, respectively. Rental revenues from City departments included in operating revenues were approximately $8,947,000 and $8,762,000 in fiscal years 2025-26 and 2024-25, respectively.

In December 2017, the Port and San Francisco Fire Department (SFFD) entered into an MOU for the use of water, apron, shed, and office space at Pier 26 for berthing and servicing of fireboats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired the apron decking, replaced the fender system within the leasehold area, and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply a hundred percent rent credit toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2026 and 2025, accumulated rent credits of $849,000 and $815,000, respectively, have been provided to SFFD. The Port reported $1,451,000 and $1,485,000, respectively, of remaining credits as rent credits due to tenants.

The Port and SFPUC entered into an MOU dated September 1, 2018, to construct certain improvements to the Mariposa Pump Station and associated sewer work on the Port premises located within Seawall Lot 345. The SFPUC will use the premises for an initial term of 30 years and pay the Port rent of $0.45 per square foot per month with a 3% annual increase for a total rent of $1,242,000. In fiscal year 2018-19, SFPUC paid the Port a lump sum of $502,000, representing the unearned net present value of the total rent for the initial term of 30 years. As of June 30, 2026 and 2025, the balances were $354,000 and $371,000, respectively, and reported as long-term prepaid rents and advance payment liabilities. The Port reported $17,000 of short-term prepaid rents and advance payment liabilities as of June 30, 2026 and 2025.

11. Related Party Transactions (Continued)

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into an MOU to implement the affordable housing development project at Seawall Lot 322-1 (88 Broadway). Under the MOU, the Port was due a total of $14,958,000 from MOHCD as of June 30, 2019. In August 2019, MOHCD paid the Port $14,996,000, including additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen-year extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. In addition to the payment by MOHCD, the developer will be required to make lease payments representing a share of any cash flow generated by commercial activities. As of June 30, 2026 and 2025, the Port reported $13,311,000 and $13,509,000, respectively, of deferred inflow of resources related to leases for this Ground Lease.

In November 2018, the City voters passed Proposition A, approving a $425 million General Obligation Bond known as the 2018 Embarcadero Seawall Earthquake Safety Bond to support the Seawall Earthquake Safety and Disaster Prevention Program. In fiscal year 2024-25, the Port received $119,626,000 of proceeds as capital contributions from the City's issuance of Series 2025A-1 and A-2 Bonds to support program advisory services, early projects, and the San Francisco Waterfront Coastal Flood Study general investigation. The bonds are a citywide obligation, and the proceeds received by the Port are recorded as capital contributions from the City.

In December 2019, the Port and SFFD entered into an MOU for the installation of the newly constructed Fireboat Station 35, a floating first response facility, at Pier 22½. This MOU replaced the existing License 501 for the use of the Pier 22½ shed as a firehouse building. In 2022, the Port authorized SFFD to apply $941,000 of rent credits toward the lease payments for the tenant improvements to the existing marginal wharf and substructure as part of the project for a dedicated public access area. As of June 30, 2026 and 2025, accumulated rent credits of $133,000 and $115,000, respectively, have been provided to SFFD. The Port reported $808,000 and $827,000, respectively, of remaining credits as rent credits due to tenants.

In March 2021, the Port and the SFPUC entered into a memorandum of understanding (MOU) authorizing SFPUC to use up to an additional 3.5 megawatts of available capacity from the Port's primary service location at Pier 70's Building 102 to provide temporary electrical service to the Seawall Lot 337 development project and the SFPUC Mariposa Pump Station facility. The SFPUC paid $1,150,000 for the use of this capacity for one year from the effective date of the MOU and exercised its option to extend the capacity purchase from the Port's Building 102 at Pier 70. In fiscal years 2024-25, the SFPUC paid the Port $1,195,000. The MOU was terminated in February 2025.

In 2022, the Port participated in the SFPUC Hetch Hetchy Power premium program by enrolling the Pier 27 Cruise Terminal Shoreside Power electricity account to receive 100 percent renewable energy that meets the requirements of California's Renewable Portfolio Standard. The California Air Resources Board Low Carbon Fuel Standard (CARB LCFS) Program allows the accrual of low carbon fuel standard credits for entities that reduce greenhouse gas (GHG) emissions from transportation sources by using electric energy or other lower-GHG-emitting fuels. Hetch Hetchy

11. Related Party Transactions (Continued)

Power facilitates the sale of municipal customers' LCFS credits to potential credit buyers through the CARB LCFS credit sales portal. In fiscal years 2025-26 and 2024-25, the Port received $241,000 and $231,000, respectively, in net proceeds from the sale and reported as other nonoperating revenues.

In June 2023, the Port and the Office of Community Investment and Infrastructure (OCII) entered into a Memorandum of Agreement (MOA). As part of the MOA, the Port provides property management services, including management, landscape, janitorial, general maintenance, and security services, to manage the Port Open Space Parcels (Bayfront Park). In fiscal years 2025-26 and 2024-25, OCII reimbursed the Port $668,000 and $528,000, respectively, for the park maintenance. The Port recorded an interfund receivable of $106,000 and $178,000 from OCII as of June 30, 2026 and 2025, respectively.

At June 30, 2024, the Port recorded $576,000 due from the SFMTA for additional parking meter collection that was deposited to SFMTA accounts. The Port received the funds from SFMTA in fiscal year 2024-25.

12. Leases

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

Lessor positions

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

Information about lease and interest revenues recognized during fiscal years 2025-26 and 2024-25, as well as receivable and deferred inflows of resources amounts recognized as of June 30, 2026 and 2025 is presented below (in thousands):

Asset Classes	Lease Revenue 2026	Interest Revenue 2026	Lease Receivable 2026	Deferred Inflow of Resources 2026
Land	$ 12,460	$ 2,013	$ 78,922	$ 81,724
Buildings, office space and others	38,573	9,856	366,247	353,881
Total	$ 51,033	$ 11,869	$ 445,169	$ 435,605

Asset Classes	Lease Revenue 2025	Interest Revenue 2025	Lease Receivable 2025	Deferred Inflow of Resources 2025
Land	$ 12,293	$ 2,196	$ 87,702	$ 91,673
Buildings, office space and others	38,850	9,860	375,975	368,061
Total	$ 51,143	$ 12,056	$ 463,677	$ 459,734

12. Leases (Continued)

Certain property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. For the years ended June 30, 2026 and 2025, property rental revenues were comprised as follows (in thousands):

	2026	2025
Minimum rentals, all revenue types	$ 88,751	$ 85,109
Percentage rents	17,239	15,278
Total	$ 105,990	$ 100,387

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

The future principal and interest receipts for leases from lessor positions as of June 30, 2026, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2027	$ 43,784	$ 11,174	$ 54,958
2028	34,658	10,156	44,814
2029	27,331	9,369	36,700
2030	21,259	8,752	30,011
2031	15,790	8,330	24,120
2032-2036	66,206	36,772	102,978
2037-2041	41,206	30,604	71,810
2042-2046	38,718	25,757	64,475
2047-2051	28,239	20,825	49,064
2052-2056	17,565	17,707	35,272
2057-2061	19,179	15,320	34,499
2062-2066	24,762	12,168	36,930
2067-2071	23,233	8,281	31,514
2072-2076	34,668	4,135	38,803
2077-2081	7,753	850	8,603
2082-2083	818	11	829
Total	$ 445,169	$ 220,211	$ 665,380

The Port also provides berthing and landing facilities for a variety of excursion vessel operators. Excursion vessels typically transport passengers for purposes including, but not limited to, dinner cruises, harbor tours, scuba diving expeditions, fishing expeditions, and whale-watching tours. Multiple tour operators call the San Francisco waterfront homeport, including Alcatraz Cruises, Blue & Gold Fleet, Hornblower Cruises, and Red & White Fleet. The Port also has licenses in place for excursion vessel operators, homeported at other Bay Area harbors and marinas, that seek to land at the Port's facilities. As of June 30, 2026 and 2025, excursion revenues were $5,362,000 and $5,510,000, respectively, and reported as part of harbor services operating revenue.

12. Leases (Continued)

Lessee position

As a lessee, the Port has entered into a lease agreement for real estate. Below is a description of the position (in thousands):

	2026	2025
Lease asset (intangible)	$ 69,924	$ 69,924
Accumulated amortization	14,424	12,020
Lease asset, net	$ 55,500	$ 57,904

The future principal and interest payments for the lease from the lessee position as of June 30, 2026, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2027	$ 2,052	$ 1,474	$ 3,526
2028	2,102	1,424	3,526
2029	2,153	1,373	3,526
2030	2,205	1,321	3,526
2031	2,259	1,267	3,526
2032-2036	12,143	5,485	17,628
2037-2041	13,690	3,935	17,625
2042-2046	15,434	2,188	17,622
2047-2051	10,492	383	10,875
Total	$ 62,530	$ 18,850	$ 81,380

Significant leases

The Port has a non-cancelable operating lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right as of February 1, 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. The lease also grants the Port, as sub-lessee, options to expand the leased space at each 10-year anniversary. At June 30, 2026 and 2025, the lease liability for this sublease were $62,530,000 and $64,307,000, respectively.

13. Commitments

Development and Capital Projects

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

The Port has pursued State legislative changes to increase funding options to address future capital requirements. In 2005, Senate Bill No. 1085 amended the California Government Code to enable the City and the Port to form, in the Port area, infrastructure financing districts with the ability to create subproject areas within it, pursuant to Section 53395 et seq. Among other things, this legislation enumerated additional infrastructure improvements that qualify for infrastructure financing districts, including seismic upgrades, renovation, environmental remediation, utility improvements, and structural repair or construction of seawalls, piers, and wharves. In September 2019, the Board of Supervisors approved an Ordinance amending the City and County's Administrative Code Special Tax Financing Law, constituting Article 43.10, to authorize special tax financing of certain facilities and services related to the Pier 70 and Mission Rock Developments.

The 2018 Embarcadero Seawall Earthquake Safety Bond general obligation bonds (Seawall Bond) first issuance (Series 2020A) included $49,548,000 of funding for the planning and preliminary design phases of the Waterfront Resilience Program. The second issuance (Series 2023B) of the Seawall Bonds included $38,733,000 of funding to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study general investigation. The third issuance (series 2025A) of the Seawall Bonds included $119,626,000 of funding, which will advance the design of early projects and initial construction costs. As of June 30, 2026 and 2025, the Port had unspent funds of $137,400,000 and $143,729,000, respectively, remaining from the general obligation bonds issued and contributed to the Port. This also includes $9,774,000 and $4,445,000 in interest earnings, respectively. These proceeds are held in the Port's capital projects funds and are restricted for use on the Seawall Resilience Program.

Purchase Commitments

The Port had firm purchase and contract commitments at June 30, 2026, for approximately $118,504,000 for capital projects and $4,572,000 for general operations.

14. Contingencies

Grants

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

14. Contingencies (Continued)

South Beach Harbor Project Commitments

On May 1, 2019, OCII transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7,900,000. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20), requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40. Completion of these improvements was delayed, and thus, Port secured a corresponding time extension amendment from BCDC through December 31, 2026 (1984.002.24). The new kayak launch and hoists completed installation in January 2026. The new north guest dock requires additional funding for construction, which the project team plans to request for the additional funding needed in the next Capital Improvement Program budget cycle. Updates to the north guest dock schedule are pending funding allocation.

Environmental

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

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

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

14. Contingencies (Continued)

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

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

Between 2009 and 2013, with financial assistance from the U.S. Department of Commerce, the Port completed a comprehensive investigation of soil and groundwater conditions, a risk assessment and feasibility study, and a Remedial Action Plan (RAP). The RAP consists of capping site soils and establishing institutional controls to reduce or eliminate human health risks related to contamination. The Port subsequently developed a Risk Management Plan (RMP), which established institutional controls (e.g., use restrictions, soil handling requirements, health and safety plans, etc.) and engineering controls (e.g., capping contaminated soil) to protect the public and prevent an adverse impact on the environment. The RMP specifies how future development, operation, and maintenance of the area will implement the remedy by covering existing site soil with buildings, streets, plazas, hardscape, or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The Regional Water Quality Control Board approved the RMP in January 2014. Over the past several years, developers have completed the installation of durable covers and removal of hazardous materials, and it is expected that most of the required capping will be accomplished through site development.

In March 2026, a revised RMP was submitted to the Water Board for approval. The revised RMP is intended to address the presence of hazardous materials, contains risk management and soil management procedures, and specifies measures to mitigate potential risks to the environment, current and future on-site employees and workers, future residents, visitors, and the public throughout the various phases of development. As part of the revised RMP, the Port will be required to conduct annual site inspections, compile compliance documentation, and submit annual reporting to the Water Board.

The Port evaluates cost estimates annually based on additional information and transaction events that may impact the pollution remediation outlays. The accrued costs for pollution remediation at Pier 70 are estimated to be $6,935,000 on June 30, 2026 and $6,690,000 on June 30, 2025. These are obligations not assumed by the Port development partners. As of June 30, 2026 and June 30, 2025, $3,000,000 and $2,700,000, respectively, are the estimated costs to complete the phase 2 project, which involves installing a sediment cap offshore and along the shoreline at the former Pier 70 Shipyard and adjacent to Crane Cove Park. At both June 30, 2026 and June 30, 2025, $3,200,000 is the estimated cost to perform additional remediation involving the Pier 70/68 Shipyard Uplands project, and $735,000 and $790,000, respectively, are the estimated costs for RMP management and required monitoring and reporting.

14. Contingencies (Continued)

Mission Bay Ferry Landing Offshore Sediment Remediation & Pier 64 Marine Debris Removal – The Port's Mission Bay Ferry Landing (MBFL) project is located adjacent to the south side of the former Pier 64, near the intersection of Terry Francois Boulevard and 16th Street, and adjacent to Agua Vista Park, and consists of approximately eight acres of offshore in-water area, dredging, ferry berths, and a few hundred feet of armored shoreline, with eventual construction of a landside plaza and ferry landing. The Pier 64 fuel terminal, formerly comprised of a wharf and pile supported piers, was abandoned in the 1970s. The Pier 64 offshore area encompasses approximately 2-3 acres of collapsed structure. The MBFL offshore project boundary area includes the encompassed Pier 64 southern wharf and pile supported apron area.

A) Former Pier 64 Marine Terminal Investigation & Remediation – A 2017-2018 investigation of sediment quality in the former Pier 64 area found elevated concentrations of PAHs in submerged land owned by the Port. In August 2019, the San Francisco Bay Regional Water Quality Control Board (Water Board) issued a directive to conduct further investigation and evaluation of sediment contamination near the former Pier 64. This directive constituted a regulatory order, which identified a group of potentially responsible companies. These companies or their predecessors discharged petroleum products and other hazardous chemicals into the waters of the State. The Port is named in this directive primarily because it is the past and current property owner. In 2020, the Port entered into a Cost Sharing Agreement with the potentially responsible parties subject to the Water Board directive, under which all agreed to cooperate and share costs related to fulfilling the directive. Under the Cost Sharing Agreement, the potentially responsible parties submitted a Sediment Investigation Work Plan designed to identify potential sources, characterize the extent, and evaluate potential environmental impacts of the PAH contamination.

The Port and responsible parties performed the sediment investigation and submitted a report of their findings to the Water Board in February 2021, and the Water Board approved the report in March 2022. The Water Board responded that any pollution encountered must be managed properly to avoid threats to human health or the environment.

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

The PAH contamination may be attributable primarily to historic operations by the Pier 64 potentially responsible companies. While the Port is seeking to recover costs from responsible parties, the Port has proceeded to remediate the sediment contamination as part of the project, to ensure the project design, permitting, and construction are completed in a timely manner. In the future, the Port may seek to recover costs incurred during the MBFL project from the Pier 64 potentially responsible companies. The Port has also included a portion of the former Pier 64 debris cleanup costs in its Pier 64/MBFL environmental cost claims.

14. Contingencies (Continued)

The Port completed Phase 1 of MBFL construction in November 2020. Phase two was completed in November 2025, and included the construction of a marine mattress, and an additional sand layer to protect from erosion, along with proper management and fill marine debris removal at the former Pier 64 site, which completed the remaining mitigation requirement. The Port will continue to implement the Water Board's required post-construction cap monitoring and reporting. As of June 30, 2026 and 2025, the Port estimated accrued pollution remediation costs to be $120,000 and $5,500,000, respectively. This estimate is not intended to reflect an admission of liability.

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

In September 2020, the United States Environmental Protection Agency (EPA) issued a Cleanup Order to the Port, as the landowner, to investigate and mitigate the petroleum seep. The Port's investigation discovered red-dye renewable diesel fuel in soil, groundwater, and in petroleum seepage into the Bay. In March 2021, the EPA issued a Cleanup Order to the potentially responsible company, a tenant of the Port, to investigate and mitigate the release.

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

In April 2021, the potentially responsible company performed integrity testing on underground pipelines, which supplied renewable diesel fuel to the Hyde Street Harbor Fuel Dock.

In March 2023, the potentially responsible company submitted a draft Feasibility & Remedial Action Plan to propose remedial action alternatives, and submitted a revised version in September 2023, recommending soil excavation in areas where concentrated products exist, along with post-excavation groundwater monitoring. The State Water Board approved the Remedial Action Plan in December 2023. After significant contract delays with the potentially responsible party, site remediation (excavation and removal of petroleum impacted soil) occurred in 2025 and 2026 with long term monitoring expected to occur for up to 15 years. As is standard practice at environmental remediation sites, the Water Board will not rescind the Cleanup Order for the site until long-term monitoring demonstrates a reduction of petroleum concentrations in groundwater over time. As of June 30, 2026 and 2025, the Port has estimated that its accrued remediation costs to be approximately $1,650,000 and $4,500,000, respectively.

There is also evidence that renewable diesel fuel from the leaking pipeline flushes residual historic contaminants into the Bay. In 2023, the Water Board issued a new Cleanup Order to the Port to address this Legacy Contamination as noted in the section below, "Hyde Street Harbor Legacy Wharf J9 and J10."

14. Contingencies (Continued)

Hyde St. Harbor Legacy Wharf J9 and J10 – There is evidence that renewable diesel fuel from the Hyde Street Harbor Fuel Release is pushing residual historic contaminants into the Bay, including through the Wharf J-10 chemical barrier installed by the potentially responsible party under a former cleanup action.

In December 2023, the Water Board issued an Order to the Port requiring the Port to prepare and submit a Site History Report and perform an investigation to further characterize soil and groundwater in Wharfs J9 and J10. In June 2024, the Water Board approved the Site History Report and the Investigation Work Plan submitted by the Port. The Port's subsequent field activities identified volatile organic compounds in groundwater at concentrations exceeding vapor intrusion screening levels and total petroleum hydrocarbons as diesel exceeding both gross contamination and ecological screening levels. The results were presented in a December 2024 Data Summary Report to the Water Board, which approved the Data Summary Report in February 2025 and directed the Port to submit an additional work plan to further investigate. The Port submitted an Investigation Work Plan Addendum to perform this work in June 2025. The Port performed investigation work in late 2025 and early 2026, and sheens were observed but did not appear to originate from the shoreline but was associated with harbor vessel activity. Based on the results, the Port submitted a data summary report in February 2026 to the Water Board requesting "No further action (NFA)", and as of July 2026, the Water Board is still reviewing the case and a decision from the Water Board is pending. As of June 30, 2026 and 2025, the accrued costs are estimated to be $50,000 and $145,000, respectively, and are related to the investigation and preparation of the Site History Report and Investigation Work Plan and Addendum, and initial investigation.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2026 and 2025, is as follows (in thousands):

	Environmental Remediation
Environmental liabilities at July 1, 2024	$ 16,030
Current year claims and changes in estimates	805
Environmental liabilities at June 30, 2025	$ 16,835
Environmental liabilities at July 1, 2025	$ 16,835
Current year claims and changes in estimates	(8,080)
Environmental liabilities at June 30, 2026	$ 8,755

15. Risk Management

Litigation

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

The estimated claims payable at June 30, 2026 and 2025 are $750,000 and $675,000, respectively. Asserted claims in litigation contribute to the Port's estimated claims liability.

Insurance – General and Workers' Compensation

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

More specifically, the Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2026): (i) marine general liability coverage of $100,000,000, subject to a deductible of $100,000 per occurrence, inclusive of hull protection and indemnity coverage; (ii) machinery and equipment breakdown coverage, including business interruption, of $750,000,000, subject to a deductible of $25,000 except cranes with a deductible of $50,000; (iii) commercial property insurance for Port facilities, subject to a maximum coverage of $750,000,000 and a deductible of $1,000,000 per occurrence; (iv) public officials and employee practices liability coverage of $5,000,000, subject to a deductible of $50,000 per occurrence; and (v) special events for cruise terminals at Pier 27, 29 and 35 coverage of $1,000,000 and no deductible. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high-value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts, naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

On May 23, 2020, a four-alarm fire destroyed portions of Pier 45, including the Shed C warehouse. In fiscal year 2024-25, the insurance settlement was finalized, and the Port received $51,618,000 in insurance proceeds and reported the recoveries as an unusual or infrequent item.

Losses from workers' compensation claims of Port employees, the deductible portion of insured losses, and losses from other uninsured risks must be funded by current revenues or reserves. The administration of workers' compensation, including estimates of recorded and incurred but not reported claims, is provided by the City. The workers' compensation liability as of June 30, 2026 and 2025 has been evaluated by an independent actuary.

15. Risk Management (Continued)

With respect to the general liability accrual, the Port has various unsettled lawsuits filed, or claims asserted against it as of June 30, 2026 and 2025. The Port's General Counsel and management have reviewed these claims and lawsuits to evaluate the likelihood of an unfavorable outcome for the Port and to arrive at an estimate of the amount or range of potential loss to the Port.

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

Changes in the reported liability reserves for June 30, 2026 and 2025 resulted from the following activity (in thousands):

	General Liability		Workers' Compensation	
	2026	2025	2026	2025
Beginning of year	$ 675	$ 500	$ 4,203	$ 3,447
Current year claims & changes in estimate	169	361	1,940	2,053
Settlements	(94)	(186)	(1,039)	(1,297)
End of year	$ 750	$ 675	$ 5,104	$ 4,203

Supplemental Schedules

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Supplemental Schedule – Combining Statements of Net Position
June 30, 2026 and 2025

	Port (excluding SBH) 2026	South Beach Harbor (SBH) 2026	Total 2026	Port (excluding SBH) 2025	South Beach Harbor (SBH) 2025	Total 2025
Assets						
Current assets:						
Unrestricted:						
Cash and investments held in City Treasury	$ 375,321	$ 13,921	$ 389,242	$ 374,014	$ 13,504	$ 387,518
Cash held outside of City Treasury	1	–	1	1	–	1
Receivables, net	34,076	221	34,297	15,409	235	15,644
Current lease receivables	40,209	3,575	43,784	37,648	3,868	41,516
Due from other City funds	106	–	106	178	–	178
Due from other City funds - Community Facilities Districts and Infrastructure Financing Districts	5,425	–	5,425	5,228	–	5,228
Due from other City funds - Infrastructure Financing District interest receivable	338	–	338	–	–	–
Accrued interest receivable	5,303	–	5,303	5,045	–	5,045
Accrued interest receivable related to leases	4,562	11	4,573	4,157	11	4,168
Materials and supplies	1,888	–	1,888	2,009	–	2,009
Prepaid charges and advances	24	–	24	405	–	405
Total unrestricted current assets	467,253	17,728	484,981	444,094	17,618	461,712
Restricted:						
Cash and investments held in City Treasury	168,285	382	168,667	212,952	359	213,311
Cash and investments held outside of City Treasury	1,443	–	1,443	5,282	–	5,282
Total restricted current assets	169,728	382	170,110	218,234	359	218,593
Total current assets	636,981	18,110	655,091	662,328	17,977	680,305
Noncurrent assets:						
Capital assets:						
Nondepreciable	145,179	3,682	148,861	131,363	3,959	135,322
Depreciable, net	437,794	15,342	453,136	434,874	15,230	450,104
Intangible lease assets	55,500	–	55,500	57,904	–	57,904
Capital assets, net	638,473	19,024	657,497	624,141	19,189	643,330
Unrestricted other noncurrent assets	1,627	–	1,627	1,841	–	1,841
Long-term lease receivables	391,550	9,835	401,385	418,042	4,119	422,161
Long-term accrued interest receivable related to leases	1,222	–	1,222	932	–	932
Total noncurrent assets	1,032,872	28,859	1,061,731	1,044,956	23,308	1,068,264
Total assets	1,669,853	46,969	1,716,822	1,707,284	41,285	1,748,569
Deferred Outflows of Resources						
Deferred outflows from refunding of debt	122	–	122	130	–	130
Deferred outflows related to pension	21,527	–	21,527	19,722	–	19,722
Deferred outflows related to other postemployment benefits (OPEB)	6,049	–	6,049	7,154	–	7,154
Total deferred outflows of resources	27,698	–	27,698	27,006	–	27,006

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Supplemental Schedule – Combining Statements of Net Position (Continued)
June 30, 2026 and 2025

	Port (excluding SBH) 2026	South Beach Harbor (SBH) 2026	Total 2026	Port (excluding SBH) 2025	South Beach Harbor (SBH) 2025	Total 2025
Liabilities:						
Current liabilities:						
Accounts payable and accrued expenses	16,737	263	17,000	12,074	611	12,685
Accrued interest payable	693	168	861	886	182	1,068
Accrued payroll payable	125	–	125	129	–	129
Accrued payroll taxes	1,698	68	1,766	3,355	151	3,506
Compensated absences	4,660	103	4,763	3,986	78	4,064
Accrued workers' compensation	1,262	–	1,262	961	–	961
Estimated claims payable	425	–	425	475	–	475
Current maturities of long-term obligations	2,898	353	3,251	2,899	338	3,237
Pollution remediation obligations	1,725	–	1,725	9,335	–	9,335
Unearned rents and advance payments	3,867	111	3,978	3,811	123	3,934
Rent credits due to tenants	1,509	–	1,509	1,632	–	1,632
Current lease liabilities	2,052	–	2,052	1,777	–	1,777
Lessee and other deposits	10,738	382	11,120	10,799	359	11,158
Total current liabilities	48,389	1,448	49,837	52,119	1,842	53,961
Noncurrent liabilities:						
Compensated absences	3,970	93	4,063	3,597	79	3,676
Accrued workers' compensation	3,842	–	3,842	3,242	–	3,242
Estimated claims payable	325	–	325	200	–	200
Long-term obligations, net of current maturities	52,562	3,710	56,272	59,500	4,063	63,563
Pollution remediation obligations	7,030	–	7,030	7,500	–	7,500
Net pension liability	34,755	–	34,755	32,037	–	32,037
Net OPEB liability	30,525	–	30,525	29,284	–	29,284
Long-term lease liabilities	60,478	–	60,478	62,530	–	62,530
Rent credits due to tenants	35,058	–	35,058	36,558	–	36,558
Unearned rents	12,359	–	12,359	53,293	–	53,293
Total noncurrent liabilities	240,904	3,803	244,707	287,741	4,142	291,883
Total liabilities	289,293	5,251	294,544	339,860	5,984	345,844
Deferred Inflows of Resources						
Deferred inflows from refunding of debt	827	–	827	–	–	–
Deferred inflows related to pension	386	–	386	1,341	–	1,341
Deferred inflows related to OPEB	3,798	–	3,798	3,927	–	3,927
Deferred inflows related to leases	421,725	13,880	435,605	450,873	8,861	459,734
Total deferred inflows of resources	426,736	13,880	440,616	456,141	8,861	465,002
Net Position						
Net investment in capital assets	479,338	14,748	494,086	458,013	14,673	472,686
Restricted for capital projects	144,206	–	144,206	149,524	–	149,524
Unrestricted	357,978	13,090	371,068	330,752	11,767	342,519
Total net position	$ 981,522	$ 27,838	$ 1,009,360	$ 938,289	$ 26,440	$ 964,729

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

Supplemental Schedule – Combining Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2026 and 2025

	Port (excluding SBH) 2026	South Beach Harbor (SBH) 2026	Total 2026	Port (excluding SBH) 2025	South Beach Harbor (SBH) 2025	Total 2025
Operating revenues:						
Commercial and industrial	$ 65,753	$ 102	$ 65,855	$ 62,643	$ 114	$ 62,757
Parking	24,061	273	24,334	22,377	178	22,555
Cruise	9,503	–	9,503	8,466	–	8,466
Cargo	6,121	–	6,121	6,613	–	6,613
Fishing	2,062	–	2,062	2,114	–	2,114
Harbor services	2,248	5,268	7,516	2,267	5,423	7,690
Other maritime	8,924	275	9,199	9,008	278	9,286
Other	14,032	43	14,075	13,483	51	13,534
Total operating revenues	132,704	5,961	138,665	126,971	6,044	133,015
Operating expenses:						
Personal services	60,518	2,284	62,802	52,770	1,789	54,559
Contractual services	34,735	469	35,204	16,982	469	17,451
Utilities	4,210	492	4,702	3,230	471	3,701
Materials and supplies	1,966	86	2,052	1,447	208	1,655
Depreciation and amortization	32,514	1,077	33,591	31,279	913	32,192
Drydock #2 impairment	391	–	391	–	–	–
General and administrative	3,078	36	3,114	3,259	51	3,310
Services provided by other City departments	33,187	147	33,334	34,547	259	34,806
Pollution remediation	5,270	–	5,270	805	–	805
Other	1,970	58	2,028	1,984	102	2,086
Total operating expenses	177,839	4,649	182,488	146,303	4,262	150,565
Operating income (loss)	(45,135)	1,312	(43,823)	(19,332)	1,782	(17,550)
Noncapital subsidies:						
Intergovernmental revenues:						
Federal	3,698	89	3,787	3,062	–	3,062
State/Other	26,229	25	26,254	299	–	299
Contributions and grants to others	(5,600)	–	(5,600)	(4,652)	–	(4,652)
Total noncapital subsidies	24,327	114	24,441	(1,291)	–	(1,291)
Operating gain (loss) and noncapital subsidies	(20,808)	1,426	(19,382)	(20,623)	1,782	(18,841)

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

Supplemental Schedule – Combining Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Years Ended June 30, 2026 and 2025

	Port (excluding SBH) 2026	South Beach Harbor (SBH) 2026	Total 2026	Port (excluding SBH) 2025	South Beach Harbor (SBH) 2025	Total 2025
Other nonoperating revenues (expenses):						
Interest and investment income	31,886	156	32,042	36,629	149	36,778
Interest expense	(3,707)	(184)	(3,891)	(4,019)	(199)	(4,218)
Debt issuance costs	(508)	–	(508)	–	–	–
Loss from lease terminations	(184)	–	(184)	(1,693)	–	(1,693)
Gain from dispositions, net	18	–	18	1	–	1
Promissory notes repayment received	310	–	310	1,549	–	1,549
Other revenues	241	–	241	231	–	231
Capital grant subsidies	37,975	–	37,975	12,153	–	12,153
Other contributions to developer	(3,548)	–	(3,548)	(10,501)	–	(10,501)
Capital contributions from developers	1,558	–	1,558	153,886	–	153,886
Capital contributions from the City	–	–	–	119,626	–	119,626
Total net other nonoperating revenues (expenses)	64,041	(28)	64,013	307,862	(50)	307,812
Income before unusual or infrequent items	43,233	1,398	44,631	287,239	1,732	288,971
Unusual or infrequent items:						
Proceeds from insurance	–	–	–	51,618	–	51,618
Change in net position	43,233	1,398	44,631	338,857	1,732	340,589
Net position, beginning of the year	938,289	26,440	964,729	599,432	24,708	624,140
Net position, end of the year	$ 981,522	$ 27,838	$ 1,009,360	$ 938,289	$ 26,440	$ 964,729

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