

**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, 2025 and 2024



Certified
Public
Accountants

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
For the Year Ended June 30, 2025 and 2024

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Required Supplementary Information-Unaudited)	5
Financial Statements:	
Statements of Net Position.....	26
Statements of Revenues, Expenses and Changes in Net Position	29
Statements of Cash Flows.....	30
Notes to Financial Statements	32
Supplemental Combining Financial Schedules:	
Combining Statements of Net Position – June 30, 2025 and 2024	84
Combining Statements of Revenues, Expenses and Changes in Net Position – For the Years Ended June 30, 2025 and 2024	87

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, City and County of San Francisco (City), Port of San Francisco (Port), an enterprise fund of the City, as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2023, the Port adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

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 November 6, 2025 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 6, 2025

This page intentionally left blank.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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 26 to 31 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 rentals 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 32 to 37.

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 32 to 81 of this report. The supplemental schedule of this report provides additional information about South Beach Harbor (SBH).

Certain reclassifications have been made to prior-year amounts to conform to the current year's presentation. 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Condensed Financial Information – Port of San Francisco

	June 30,			2025-2024	2024-2023
	2025	2024 (As Restated)	2023	Change	Change
Current and other assets	\$ 1,105,239	\$ 975,122	\$ 940,458	\$ 130,117	\$ 34,664
Capital assets	643,330	492,073	492,974	151,257	(901)
Total assets	1,748,569	1,467,195	1,433,432	281,374	33,763
Deferred outflows of resources	27,006	26,613	20,837	393	5,776
Current liabilities	53,961	40,203	36,944	13,758	3,259
Noncurrent liabilities	291,883	311,832	327,776	(19,949)	(15,944)
Total liabilities	345,844	352,035	364,720	(6,191)	(12,685)
Deferred inflows of resources	465,002	517,633	523,895	(52,631)	(6,262)
Net position:					
Net investment in capital assets	472,686	317,705	313,084	154,981	4,621
Restricted	149,524	34,093	47,811	115,431	(13,718)
Unrestricted	342,519	272,342	204,759	70,177	67,583
Total net position	\$ 964,729	\$ 624,140	\$ 565,654	\$ 340,589	\$ 58,486

	Year Ended June 30,			2025-2024	2024-2023
	2025	2024 (As Restated)	2023	Change	Change
Revenues:					
Operating revenues	\$ 133,015	\$ 134,589	\$ 128,667	\$ (1,574)	\$ 5,922
Nonoperating revenues	105,586	61,164	39,420	44,422	21,744
Capital contributions	273,617	14,733	39,369	258,884	(24,636)
Total revenues	512,218	210,486	207,456	301,732	3,030
Expenses:					
Operating expenses	150,565	143,589	123,184	6,976	20,405
Nonoperating expenses	21,064	4,633	4,665	16,431	(32)
Total expenses	171,629	148,222	127,849	23,407	20,373
Change in net position	340,589	62,264	79,607	278,325	(17,343)
Net position, beginning of year, as previously reported	624,140	565,654	486,047	58,486	79,607
Cumulative effect of accounting change	-	(3,778)	-	3,778	(3,778)
Net position, beginning of year, as restated	624,140	561,876	486,047	62,264	75,829
Net position, end of the year	\$ 964,729	\$ 624,140	\$ 565,654	\$ 340,589	\$ 58,486

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Financial Analysis

Fiscal year 2024-25 was characterized by innovation, forward-thinking, economic activation, and resiliency.

- The Living Seawall pilot project is an innovative project testing new materials and designs for the San Francisco seawall that can promote biodiversity and create a more harmonious relationship between people and San Francisco Bay's marine life. This is part of the ongoing Embarcadero Seawall capital project, which in fiscal year 2024-25 received \$119,626,000 from the City's General Obligation Bonds supporting the Seawall Earthquake Safety program. This funding will be used to build a more sustainable and resilient seawall and waterfront.
- Fisherman's Wharf Forward is an example of forward thinking. During the past year, there was collaboration with stakeholders and community outreach to address ways to celebrate the fishing fleet and vessels, create new public areas, and make enhancements to reconnect the public with the inner lagoon.
- The Port made headway in the Mission Bay neighborhood, including accepting Mission Rock capital assets from the developer valued at \$124,185,000, representing the completion of Phase 1 horizontal improvements, including China Basin Park, which is a five-acre public open space. The Port also accepted Bayfront Park valued at \$29,585,000, which transformed the waterfront adjacent to the Chase Center, one of San Francisco's top athletic and performing arts venues. Mission Rock, Pier 70, and other development projects are all mixed-use opportunities to address deferred maintenance while reimagining the future of the Port.
- Throughout the year, the Port's economic activation efforts brought the public back to the waterfront, hosting events such as Fleet Week, the Pier Party at the Piers music series in the heart of Fisherman's Wharf, the Portola Festival at Pier 80, NBA All-Star activities, Lunar New Year celebrations, and pop-up shops. The Port continues to be an economic engine of the City.

The Port's total net position on June 30, 2025, was \$964,729,000, an increase of \$340,589,000, or 54.57% from June 30, 2024. Comparatively, the net position increased by \$58,486,000, or 10.34% in fiscal year 2023-24, and \$79,609,000, or 16.38% in fiscal year 2022-23. The largest portion of the Port's net position is its net investment in capital assets: 49% as of June 30, 2025, compared with 51% as of June 30, 2024, and 55% as of June 30, 2023. 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, 2025, the Port's net investment in capital assets was \$472,686,000, 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, 2025, includes \$149,524,000 restricted for specific capital project expenditures and \$342,519,000 that is unrestricted and available to meet future capital requirements and ongoing obligations. Capitalized project expenditures have fluctuated in recent years.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Comparative Net Position *

In fiscal year 2025, several key events contributed to the \$340,589,000 increase in net position. First, the Port accepted horizontal infrastructure assets associated with the Mission Rock Project, a 28-acre development situated at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street, and the San Francisco Bay. The Port's accepted assets, valued at \$124,185,000, encompass Phase 1 horizontal improvements, including the Port's open spaces and right-of-way assets. Second, the Port received a \$119,626,000 capital contribution from the City's third issuance of the 2018 Embarcadero Seawall Earthquake Safety Bond (Seawall Bond). This funding will advance the design of early projects and initial construction costs. In November 2018, the City voters passed Proposition A, authorizing the issuance of a \$425 million General Obligation Bonds known as the 2018 Embarcadero Seawall Earthquake Safety Bonds to fund improvements to the Embarcadero Seawall and related infrastructure, aiming to enhance earthquake and flood safety. Third, the Port received additional insurance proceeds totaling \$51,618,000 related to claims on losses incurred during the warehouse fire at Pier 45 that occurred in 2020. Fourth, interest and investment income were \$36,778,000, primarily from interest earnings and net unrealized gains reported from cash and investments held at the City Treasury. Fifth, the Port also accepted the improvements of the Mission Bay Park P22, known as Bayfront Park, into the Port's Park system. The improvements, valued at \$29,585,000, were constructed on Port land under the direction of the Office of Community Investment and Infrastructure. In addition to events that increased the net position, certain transactions contributed to the decrease in net position. In fiscal year 2024-25, the Port made a capital contribution of \$10,501,000 to the developer to finalize Phase 1 horizontal construction of the Mission Rock Project.

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 increased by \$130,117,000, or 13.34% in fiscal year 2024-25, including a net increase in current assets of \$173,846,000 and a net decrease of \$43,729,000 in other noncurrent assets.

The \$173,846,000, or 34.33% net increase in current assets is primarily due to an increase of \$115,494,000 in restricted cash and investment 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 \$53,789,000 growth in unrestricted cash and investment 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 in due 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. Comparatively, in fiscal year 2023-24, the net increase in current assets of \$31,840,000, or 6.71% was due to a variety of factors including an increase of \$50,074,000 in unrestricted cash and investment held in the City Treasury principally from cash collections from tenants and developers, a \$2,266,000 increase in interest receivables accrued on unrestricted cash and investment held in the City Treasury, and an increase of \$1,919,000 in lease

*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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

receivables from new or extended leases. These increases were offset by a decrease of \$14,261,000 in restricted cash and investment held in and outside the City Treasury mainly due to expenditures on early Seawall projects, and a decrease of \$9,344,000 in net receivables primarily due to reimbursements collected from developers for Port cost recovery. The \$43,729,000, or 9.33% net decrease in other noncurrent assets is due primarily to a decrease in long-term lease receivables. This was driven by factors including scheduled lease payments and the termination of leases in the current fiscal year. Comparatively, other noncurrent assets increased by \$2,824,000, or 0.61% in fiscal year 2023-24, mainly attributable to an increase in long-term lease receivables from new leases or lease extensions.

Capital Assets - There was a net increase in capital assets of \$151,257,000, or 30.74% in fiscal year 2024-25 and a net decrease of \$901,000, or 0.18% in fiscal year 2023-24. 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, capital contributions by the developers, such as land improvements, have supported the growth of capital assets.

Deferred Outflows of Resources - In fiscal year 2024-25, total deferred outflows of resources increased by \$393,000, or 1.48% from changes in pension and Other Postemployment Benefits (OPEB) based on actuarial estimates. Comparatively, in fiscal year 2023-24, total deferred outflows of resources increased by \$5,776,000, or 27.72% from pension and OPEB based on actuarial estimates.

Current Liabilities - Current liabilities increased by \$13,758,000, or 34.22% as of June 30, 2025, 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. Comparatively, the \$3,259,000, or 8.82% increase in current liabilities as of June 30, 2024, was mainly attributable to an increase of \$2,680,000 in current pollution remediation obligations, an increase of accrued workers' compensation of \$197,000, and an increase of accrued payroll of \$144,000. These were partially offset by decreases in unearned rent, advance payments, leases, and other deposits of \$1,100,000 and a decrease in accounts payable of \$801,000.

Noncurrent Liabilities - 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 \$3,109,000 increase in net pension liability. Comparatively, in fiscal year 2023-24, noncurrent liabilities decreased by \$15,944,000, or 4.86%. This change primarily reflected a decrease of \$19,438,000 in unearned COVID-19 State stimulus grant earned during the year, a decrease of \$3,346,000 in long-term obligations due to scheduled debt payments, a decrease of \$2,560,000 in rent credit due to tenants because of amortization, and a decrease of \$1,574,000 in lease liabilities. These decreases were partially offset by an increase of \$7,736,000 in net pension liabilities and an increase of \$2,425,000 in long-term pollution remediation liabilities.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Deferred Inflows of Resources - In fiscal year 2024-25, total deferred inflows of resources declined by \$52,631,000, or 10.17% primarily from systematic recognition of lease revenues. The changes were driven primarily by fluctuations in actuarial valuations for pension and OPEB liabilities, combined with systematic recognition of lease revenues. Comparatively, in fiscal year 2023-24, total deferred inflows of resources declined by \$6,262,000, or 1.2% mainly from changes in pension based on actuarial estimates.

Changes in Net Position

Operating Revenues - Operating revenues in fiscal years 2024-25 and 2023-24 supported current-year operation and maintenance expenses before depreciation and amortization.

The statements of revenues, expenses, and changes in net position on page 29 present the Port's operating revenues in more detail by industry revenue types. Total operating revenues of \$133,015,000 for fiscal year 2024-25 represent a \$1,574,000, or 1.17% decrease from fiscal year 2023-24. This is primarily driven by other operating revenues and commercial and industrial revenue. Comparatively, operating revenues for the year ended June 30, 2024, increased by \$5,922,000 or 4.60%. The increase is primarily due to revenue earned from a developer related to the recovery of expenses.

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, increased by \$1,333,000 in fiscal year 2024-25. The increase is 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. Comparatively, in fiscal year 2023-24, parking revenues remained stable. Parking revenues decreased slightly by \$49,000, principally due to a decrease from a prior year's one-time revenue catch-up from retroactive license fees and retroactive parking stall rentals, offset by an increase in parking meter revenues received.

Commercial and industrial revenue decreased slightly in fiscal year 2024-25 by \$1,381,000. Overall, the revenue remains relatively stable compared to the prior fiscal year. Comparatively, in fiscal year 2023-24, commercial and industrial revenues decreased by \$2,177,000. Variations in commercial and industrial revenue are influenced by factors such as estimated uncollectible accounts, amortization of lease revenues, 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.

Other operating revenues include construction and event permit fees, one-time transaction fees, 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 2024-25, other operating revenues decreased by \$1,873,000, principally due to a decrease in revenue from a developer related to 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. Comparatively, in fiscal year 2023-24, other operating revenues increased by \$7,803,000, principally due to an increase in revenue earned from a developer related to expense recoveries.

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 the volume of

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

cruise calls and passenger counts. There were 90 cruise calls in fiscal year 2024-25 compared to 95 cruise calls in the prior fiscal year. Also, passenger counts remain steady, 369,000 in fiscal year 2024-25 compared to 365,000 in the prior fiscal year. Comparatively, in fiscal year 2023-24, cruise revenues decreased slightly by \$954,000 from fluctuations in the volume of cruise calls. There were 95 cruise calls in fiscal year 2023-24 compared to 110 cruise calls in fiscal year 2022-23. Also, passenger counts were 365,000 in fiscal year 2023-24 compared to 391,000 in fiscal year 2022-23.

Other fluctuations in operating revenues included other maritime revenue, cargo revenue, fishing revenue, and harbor revenue. 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 decrease in cargo revenue is due to a combination of factors, including fluctuations in cargo volume, one-time lease transfer fees earned, and a one-time credit issued to the tenant, which offset the revenue. Fishing revenue decreased by \$569,000 due to factors including the number of permanent berth holders and estimates of uncollectible accounts.

Comparatively, in fiscal year 2023-24, other maritime revenues increased by \$707,000 primarily from increases in excursion revenues. Cargo revenue increased by \$343,000, principally from a steady base rent rate increase per contractual agreement from Cargo facilities rental revenues and an increase in demurrage revenues from increased auto cargo volume. Fishing revenue increased by \$124,000 due to various factors, including the number of permanent berth holders, general rate increases, and estimates of uncollectible accounts. Harbor services revenue increased by \$125,000 primarily due to fluctuations in estimates from uncollectible accounts.

Nonoperating Revenues - Nonoperating revenues include interest and investment income, operating grants, one-time settlements, insurance settlements, gain from transfer of land, and credit auction proceeds gained from the Port's participation in Hetch Hetchy Power's low-carbon fuel standard partnership program. Nonoperating revenues 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. Other operating grants and capital contributions fluctuate year over year and consist of financial assistance or capital contributions received from various agencies for purposes such as access improvements, emission-free ferry system, maritime or environmental activities, and emergency-related cost recoveries. Nonoperating revenues increased by \$44,422,000, or 72.63% 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.

Comparatively, nonoperating revenues increased by \$21,744,000, or 55.16% in fiscal year 2023-24 primarily due to a \$16,152,000 increase in interest and investment income from a steady interest rate increase, higher cash balances held in the City, and net unrealized gains. Other increases included a \$5,860,000 increase from the transfer of Port's property located on a portion of 1236 Carroll Avenue, which will be used as a new fire training facility for the San Francisco Fire Department, and a \$3,882,000 increase from insurance proceeds settlement related to loss from the warehouse fire at Pier 45 that occurred in 2020. These increases were offset by a decrease of \$3,039,000 in settlements due to various settlements received in the prior year.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Capital Contributions – Capital contribution revenues fluctuate with the level of capital grant revenues realized from grant-funded construction activities. Historically, capital contribution revenues 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 the current fiscal year, capital contribution includes 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.

Capital grants and other contributions usually consist of funds from federal, state, and local grant agencies, which provide funding for several of the Port's capital projects. This revenue source fluctuates based on available grant funds and the capital work in progress at the Port. In recent years, other contributions have also included land improvements constructed by developers on Port-owned land. In fiscal year 2024-25, capital grants and contributions increased significantly by \$258,884,000, or 1757.17%. 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 \$119,239,000 increase in capital contribution 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. Comparatively, in fiscal year 2023-24, capital grants and contributions decreased by \$24,636,000, or 62.58%. The net decrease was due to a \$38,877,000 decrease from a prior year's capital contribution from the City's second issuance of the Seawall Bond to support early projects, adaptation strategies, and the San Francisco Waterfront Coastal Flood Study, offset by an increase of \$14,241,000 in the Port's acceptance of the horizontal infrastructure from the developer of Pier 70.

Operating Expenses - Total operating expenses of \$150,565,000 (condensed summary on page 6) for fiscal year 2024-25 represent a \$6,976,000, or 4.86% increase from fiscal year 2023-24. Comparatively, fiscal year 2023-24 operating expenses were \$20,405,000, or 16.56% higher than total operating expenses in fiscal year 2022-23. The statements of revenues, expenses, and changes in net position on page 29 present 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 2024-25 and fiscal year 2023-24 are highlighted as follows:

	Increase / (Decrease)	
	2025	2024
		(Restated)
Personal services	\$ 8,166,000	\$ 9,405,000
Contractual services	(6,905,000)	3,073,000
Utilities	(482,000)	(927,000)
Materials and supplies	7,000	459,000
Depreciation and amortization	6,092,000	828,000
General and administrative	771,000	419,000
Services provided by other City departments	2,846,000	4,130,000
Pollution remediation	(4,300,000)	3,863,000
Other	781,000	(845,000)
Total Operating Expenses Changes	6,976,000	20,405,000

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Personal services increased by \$8,166,000 primarily from various factors, including headcount change, salaries and fringe benefits change pursuant to collective bargaining agreements, retirement, and temporary salaries. Current year increase is primarily from 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. In fiscal year 2023-24, personal services increased by \$9,405,000 primarily from increases in pension expense, amortization of deferrals related to pension, and an increase in permanent salaries. Pension and OPEB expenses and their related liabilities can fluctuate significantly as they include regularly updated actuarial assumptions, estimates about future investment returns, and future projections regarding benefit payments. Other cost fluctuations can be attributed to various factors, including headcount change, salaries and fringe benefits change pursuant to collective bargaining agreements, retirement, temporary salaries, and the amount of labor capitalized as capital assets.

Contractual services decreased by \$6,905,000 due to fluctuations in the volume of capital and 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 decrease is primarily due to a significant reduction in planning and preliminary design activities for the Waterfront Resilience Program, as well as the capitalization of construction costs in the current fiscal year.

Utility costs decreased by \$482,000 due to rate and utilization changes. In the prior fiscal year, utility costs decreased by \$927,000. Materials and supplies increased by \$7,000 due to fluctuations in the type and volume of maintenance and repair work that the Port performs during the fiscal year. Although purchases of other building maintenance supplies and minor data processing equipment decreased in the current fiscal year, this decline was offset by the prior year's capitalization of other building maintenance supplies. Comparatively, in fiscal year 2023-24, materials and supplies costs increased by \$459,000, which is primarily due to increases in purchases of lumber, hardware, plumbing supplies, and other building supplies. The increase in depreciation and amortization expense is due principally to new assets placed in service. Depreciation and amortization expenses in fiscal year 2024-25 increased by \$6,092,000 primarily from asset acceptance of Mission Rock Phase 1 horizontal improvements and Bayfront Park. Comparatively, depreciation and amortization expenses in the prior fiscal year increased by \$828,000. 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. Comparatively, in the prior fiscal year, general and administrative expenses increased by \$419,000 primarily due to an increase in overhead costs from cost recovery charges by other City departments, an increase in promotion and entertainment expenses, and an increase in office rental. Other expenses increased by \$781,000 primarily due to higher software licensing fees, permits, and estimated claims. Comparatively, in the prior fiscal year, other expenses decreased by \$845,000, principally due to a decrease in software license fees, permits, and support services.

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. Comparatively, in fiscal year 2023-24, Service reimbursements to other City departments were \$31,960,000, a net increase of \$4,130,000 from 2023. This is primarily due to an increase in insurance expenses, police security service expenses, project-related activities procured from the Department of Public Works, City Attorney legal services, and internal audit services.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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-estimate of obligations primarily associated with the Pier 70/68 Shipyard Uplands project and the Hyde Street Harbor Fuel Pipeline project. The Port continues to review, evaluate, and re-estimate its obligations to remediate pollution annually. Details of the obligations can be found in the environmental matter section of Note 14. Comparatively, pollution remediation expenses increased by \$3,863,000 in fiscal year 2023-24. The increase was derived from evaluations of and re-estimate of accrued expenses primarily due to the Pier 70/68 Shipyard Uplands project and the Hyde Street Harbor Fuel Pipeline project.

Nonoperating Expenses - Nonoperating expenses are costs outside of normal operations and are reported in the non-operating expenses section. Examples include interest expense, any costs for pier removal, demolition work, asset disposition costs, any associated losses from those capital and operational events, including early termination leases, insurance settlements, bond issuance costs, arbitrage expenses, contributions to certain community-based organization services such as youth workforce development, and contributions to the developer.

Like nonoperating revenues, nonoperating expenses, other than interest expense, also tend to fluctuate widely based on largely nonrecurring transaction activities or events. Nonoperating expenses increased by \$16,431,000, or 354.65% primarily due to a \$10,501,000 contribution to Mission Rock and a \$4,641,000 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. Other increases mainly included a \$1,526,000 reduction in loss from disposal due to several lease terminations. Comparatively, in the prior fiscal year, nonoperating expenses decreased by \$32,000, or 0.69%.

Capital Asset and Debt Administration

Capital Assets

The Port's capital assets as of June 30, 2025 and 2024, respectively, were \$643,330,000 and \$492,073,000, 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 41-43.

Significant project appropriations cover capital projects planned and in progress, including the pending expenditure of the State Stimulus grant, the debt issuances discussed below, 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, 2025, the budget file indicates over \$406,042,000 in appropriations for Port capital projects. The Port had firm purchase and contract commitments on June 30, 2025, of approximately \$34,520,000 for various capital projects.

Major capital asset project expenses for fiscal year 2024-25 included the following:

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

- Pier 27 Cruise Terminal Maintenance Dredging – At Pier 27, maintenance dredging allows the berthing of deep draft cruise vessels at the Port's primary Cruise Terminal. During the fiscal year 2024-25, the Port performed contracted maintenance dredging through a previously awarded Port engineering construction contract. The dredged sediments were transported to a certified beneficial re-use site, where they contribute 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. During the fiscal year 2024-25, the Port performed contracted maintenance dredging through a previously awarded Port engineering construction contract. The dredged sediments were transported to two permitted disposal sites. A portion of the dredged sediment that was chemically suitable was also transported to a certified beneficial re-use site, where it contributes to wetland restoration.
- Fisherman's Wharf Maintenance Dredging – At Fisherman's Wharf, maintenance dredging allows the berthing of fishing and recreational vessels. During the fiscal year 2024-25, the Port performed contracted maintenance dredging through a previously awarded Port engineering construction contract. The dredged sediments were transported to a certified beneficial re-use site, where they contribute to wetland restoration. Additionally, dredging in Fisherman's Wharf in fiscal year 2024-25 allowed for the construction and placement of a float for "off-the-boat fish sales" for economic recovery for the fishing community.

Wharf J9 Phase 1 Float & Gangway – The purpose of this project is to install modern Americans with Disabilities Act accessible berthing at Wharf J9 to support off-the-boat fish sales and excursions. A future project phase will replace the dilapidated timber seawall and wharf structure with new resilient structures and incorporate the floating berth and gangway from Phase 1. Wharf J9 is in the outer lagoon area of Fisherman's Wharf and has been unusable for several years. Installing the new berth promotes economic recovery of this under-utilized area while the complex seawall and wharf replacement project is being developed. Phase 1 also included site improvements along Al Scoma Way to provide safer pedestrian access and the replacement of damaged piles under the public wharf along the southern edge of Scoma's restaurant. The float and gangway opened to the public for the start of crab season in January 2025, and hosted hundreds of customers buying crab directly from fishing boats within that first weekend. Final closing-out of the construction contract is expected in December 2025. Phase 2 is currently in predesign, with the budget and delivery date to be developed. This is one of the Waterfront Resilience Program's Early Projects, funded by the 2018 Seawall General Obligation Bond (see Waterfront Resilience Program section below).

Roundhouse 2 Building Envelope – Roundhouse 2 is a 4-story concrete building. The project is to address intrusion issues that Roundhouse 2 has been facing and increase leasable space within the building. The scope of work includes the replacement of the roof, construction of a new roof over the mechanical enclosure on the existing roof level, demolition of the existing solarium structure on the fourth floor, construction of a new solarium structure, and replacement of all the windows on the second through fourth floors. The design phase was completed as of December 2022. Construction was substantially completed in September 2025.

South Beach Harbor Marina End-tie Dock Repair – The project scope is for general repairs and improvements to the floating dock system that includes wooden waler replacement, installation of supplemental floatation to restore freeboard, and new power pedestals to maximize their remaining service life. During construction, additional repairs were identified that are vital to maintaining a safe and operable marina. The scope of the project is expanded to a full replacement of the south guest dock instead of

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

performing spot repairs. The Port Commission approved adding additional calendar days and \$1,700,000 in funding to the contract to fully replace the south guest dock. The anticipated substantial completion date for this project is April 1, 2026.

Pier 47 Hyde St. Harbor Repairs – The project involved the repair and restoration of the floating dock system. Scope of work included repairing wood walers and hardware, installation of foam tubs to restore freeboard, performing concrete repair, replacing water lines, installing new electrical pedestals with lighting, removing abandoned sewer pipes, and replacing dock gussets with high-density polyethylene material on the docks to maximize their remaining service life. The project was given notice to proceed on April 26, 2024, and substantial completion was achieved in February 2025.

Debt Administration

Detailed information concerning the Port's long-term obligations can be found in Note 7 on pages 47-53 of this report. As of June 30, 2025, the Port had long-term debt obligations excluding bond premiums of \$63,343,000, including \$3,237,000 that is due during the next fiscal year. Total debt outstanding consists of \$34,865,000 in revenue bonds, \$23,245,000 in certificates of participation, and \$5,233,000 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 Investor Services, 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 Investors Services, Standard & Poor's Ratings Services (S&P), and Fitch Ratings, respectively.

In May 2025, S&P affirmed its "A" rating and stable outlook. In May 2024, Fitch affirmed its "A" rating and stable outlook. In May 2023, Moody's affirmed its "Aa3" rating and revised its outlook from negative to stable.

Economics and Other Factors

Economy

San Francisco's downtown continues to show signs of recovery, while the economy copes with continuing contraction in the tech industry and accumulating signs of a broader slowdown nationally.¹ Tourism in San Francisco showed slight improvement, with average hotel occupancy rates increasing from 70.7% in May 2024 to 71.3% in May 2025². However, total jobs in the leisure and hospitality sector have decreased by 1,100 in San Francisco and San Mateo counties from June 2024 to June 2025³. While office attendance rates remain at steady levels, downtown foot traffic is now trending up. In addition, Muni Metro and downtown BART ridership continue to improve.¹

While the over-the-year Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-Hayward region decreased from 3.2% in June 2024 to 1.5% in June 2025⁴, the unemployment rate in San Francisco rose from 3.9% to 4.2%³ over the same period. Despite the increase in unemployment, the Port continues to be cautiously optimistic about San Francisco's economic recovery and is continuing to prioritize strategies to bring more people to the waterfront.

¹ SF Office of Economic Analysis, Status of the San Francisco Economy – May 2025

² SF Office of Economic Analysis

³ California Employment Development Department, Labor Market Information

⁴ U.S. Bureau of Labor Statistics

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Other factors

Through various programs and initiatives mentioned below, the Port remains focused on innovation, economic activation, and resiliency.

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 (Flood Study), where the Port and the USACE are examining 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.

In January 2024, the Port and the USACE published the San Francisco Waterfront Coastal Flood Study Draft Integrated Feasibility Report and Environmental Impact Statement. The Flood Study includes a Draft Plan 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 \$13.5 billion in 2024 dollars (Draft Plan) and subsequent actions to address higher rates of sea level rise.

The Flood Study is scheduled to be completed in 2026. In June 2024, USACE senior leaders endorsed the Draft Plan and recommended changes to the plan to respond to comments received during the public and agency comment period on the plan. The plan is now considered to be the Recommended Plan. If the USACE Chief of Engineers formally recommends the plan to Congress in 2026 and Congress authorizes the Recommended Plan, the federal government will 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.

Early Projects focus on making improvements to protect life safety, support regional disaster response and recovery efforts, and help protect the historic waterfront that can be implemented in the near term, complementing the longer-term strategy under development in the Flood Study. In December 2021, the Port identified twenty-three Embarcadero Early Projects to reduce life safety risk, improve disaster response, and reduce early flood risk, with a total projected cost of \$650 million to \$3 billion. The Waterfront Resilience Program team has advanced three projects to design, including the Taylor Street Resilience Project, Seawall Earthquake Safety Retrofits, and South Beach Coastal Resilience Project. Award of these project contracts is planned for early fiscal year 2025-26.

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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 2024-25, approximately \$12,304,000 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, alternating with the City's current biennial budget process. 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 \$2,228.5 million for other improvements, particularly at Piers 30/32 for pier reconstruction and residential buildings at Seawall Lot 330.

The Port's need for capital investments has historically outpaced available funding. The Port 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.

Development projects continue to be a significant driver for certain waterfront improvements. The current capital plan projects \$2.5 billion in development project funding over the ten-year period, supported by a mix of public and private sources.

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 the fiscal year 2020-21 and fiscal year 2021-22 capital appropriations below the required target. In 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 from the State of California pushed capital investment above the requirement. Fiscal years 2024-25 and 2025-26 remain below the 25% target.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

The plan projects that at the end of the ten-year period, the Port will have invested \$3.5 billion to fund both renewals and enhancements, leaving a backlog of \$1.9 billion for renewal work. 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, the 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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, \$11,362,000 was spent on eligible capital expenses in fiscal year 2024-25. The remaining unspent stimulus in the amount of \$53,293,000 is reserved to cover future operating and capital expenses.

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. Amendments to BCDC's SFWSAP are expected to be approved by Fall 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, improvements to Heron's Head Park, and Heron's Park Shoreline Stabilization. Agua Vista Park is approaching final design and will be delivered as part of the Mission Bay Ferry Landing project. It is anticipated that construction will be completed in the spring or summer of 2027. Through June 30, 2025, the Port expended approximately \$106.8 million for park projects, including \$66.5 million from the park bonds and \$40.3 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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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, 2025, the permanent open space improvements are delayed due to market conditions related to the broader project.

Pier 70 Area – Pier 70 is approximately 69 acres, located on San Francisco's Central Waterfront, generally between 18th and 22nd Streets, 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 began. The horizontal infrastructure (excluding parks that will be constructed on a schedule that coincides with the delivery of adjacent vertical development) was

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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 leasing efforts are ongoing. To date, the master developer has entered into leases with more than ten businesses, including padel courts, a bakery, a scooter retailer, and a brewery. 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 currently exploring options 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 nearing completion as four Phase 1 parcels have received a Temporary Certificate of Occupancy ("TCO") and Certificates of Final Completion and Occupancy ("CFCO") are now being processed which will also allow the Port to formally terminate the Vertical Disposition and Development Agreement ("VDDA") for each parcel: Parcel A is open and being leased up with new rental residents, office tenants, and ground-floor retail tenants. Parcel B is complete and being marketed to prospective office tenants, and ground-floor retail leasing is underway. Parcel F is open and being leased up with new rental residents, office tenants, and ground-floor retail tenants. Parcel G office space is entirely leased, and ground-floor retail spaces are also being 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 submitted the Phase 2 application in December 2022 and, along with the Port, is monitoring 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Mission Bay Ferry Landing Terminal – The Mission Bay Ferry Landing 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 from 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 started construction in the summer of 2025. The completion of the full project is anticipated to occur in the second quarter of 2027.

Mission Bay Park Project-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 of Terry Francois Blvd between China Basin and Mission Rock Streets, remains under construction and is expected to be completed in late 2025. 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, the developer proposed to significantly advance the construction of SWL Lot 330 in the near term to deliver more than 600 units at a time when the city faces a significant shortfall in meeting its goal of 82,000 new units by 2030. As to SWL 330, the Port and Developer anticipate seeking approval of transaction documents from the Port Commission and Board of Supervisors in 2026.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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, and its hotel room count is now 192. 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 has not fully recovered to the pre-pandemic level, financing for hotel construction in San Francisco remains a challenge as of June 2025. The developer has changed the hotel brand to a luxury brand with 161 rooms to aid its continuing search for appropriate financing. The project timeline continues to be delayed due to economic factors, including cost inflation, high interest rates, and tariff-induced uncertainty about the national economic direction. The developer has reconfigured its sources-and-uses-of-funds in response to the new challenges and anticipates closing escrow in late 2025 or 2026.

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 Cruise 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 by late 2026.

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 Fishermen'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 result 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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

October 2024. The Board of Supervisors endorsed the term sheet and approved a fiscal feasibility finding in December 2024. The Developer is now advancing designs of the project and anticipates completing planning and environmental reviews for the project in fiscal year 2025-26. Port staff and the Developer will also negotiate transaction documents, including an LDDA and lease, in fiscal year 2025-26.

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.sfgov.org.

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

Statements of Net Position
June 30, 2025 and 2024
(dollar amounts in thousands)

	2025	2024 (As Restated)
Assets		
Current assets:		
Unrestricted:		
Cash and investments held in City Treasury (Note 3)	\$ 440,811	\$ 387,022
Cash held outside of City Treasury (Note 3)	1	1
Receivables, net (Note 4)	15,644	14,809
Current lease receivables (Note 12)	41,516	43,882
Due from other City funds (Note 11)	178	576
Due from other City funds - Community Facilities Districts and Infrastructure Financing Districts (Note 6)	5,228	-
Accrued interest receivable	5,045	4,589
Accrued interest receivable related to leases	4,168	3,741
Materials and supplies	2,009	1,933
Prepaid charges and advances	405	79
Total unrestricted current assets	<u>515,005</u>	<u>456,632</u>
Restricted:		
Cash and investments held in City Treasury (Note 3)	160,018	44,524
Cash and investments held outside of City Treasury (Note 3)	5,282	5,303
Total restricted current assets	<u>165,300</u>	<u>49,827</u>
Total current assets	<u>680,305</u>	<u>506,459</u>
Noncurrent assets:		
Capital assets (Note 5 and Note 12):		
Nondepreciable	135,322	118,971
Depreciable, net	450,104	312,795
Intangible lease assets, net (Note 12)	57,904	60,307
Capital assets, net	643,330	492,073
Unrestricted other noncurrent assets (Note 6)	1,841	2,048
Long-term lease receivables (Note 12)	422,161	465,982
Long-term accrued interest receivable related to leases	932	633
Total noncurrent assets	<u>1,068,264</u>	<u>960,736</u>
Total assets	<u>1,748,569</u>	<u>1,467,195</u>
Deferred outflows of resources		
Deferred outflows of resources from refunding of debt (Note 7)	130	139
Deferred outflows of resources related to pension (Note 8)	19,722	19,035
Deferred outflows of resources related to other postemployment benefits (OPEB) (Note 10)	7,154	7,439
Total deferred outflows of resources	<u>27,006</u>	<u>26,613</u>

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, 2025 and 2024
(dollar amounts in thousands)

	2025	2024 (As Restated)
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,685	\$ 5,552
Accrued interest payable	1,068	1,120
Accrued interest payable leases	129	132
Accrued payroll	3,506	2,839
Compensated absences (Note 7)	4,064	3,806
Accrued workers' compensation (Notes 7 and 15)	961	808
Estimated claims payable (Notes 7 and 15)	475	300
Current maturities of long-term obligations (Note 7)	3,237	3,129
Pollution remediation obligations (Notes 7 and 14)	9,335	4,030
Unearned rents and advance payments	3,934	3,376
Rent credits due to tenants	1,632	2,556
Current lease liabilities (Note 12)	1,777	1,574
Lessee and other deposits	11,158	10,981
Total current liabilities	<u>53,961</u>	<u>40,203</u>
Noncurrent liabilities:		
Compensated absences (Note 7)	3,676	3,311
Accrued workers' compensation (Notes 7 and 15)	3,242	2,639
Estimated claims payable (Notes 7 and 15)	200	200
Long-term obligations - net of current maturities (Note 7)	63,563	67,017
Pollution remediation obligations (Notes 7 and 14)	7,500	12,000
Net pension liability (Note 8)	32,037	28,928
Net OPEB liability (Note 10)	29,284	29,886
Long-term lease liabilities (Note 12)	62,530	64,307
Rent credits due to tenants	36,558	38,198
Unearned grants (Note 4)	53,293	65,346
Total noncurrent liabilities	<u>291,883</u>	<u>311,832</u>
Total liabilities	<u>345,844</u>	<u>352,035</u>
Deferred inflows of resources		
Deferred inflows of resources related to pensions (Note 8)	1,341	2,245
Deferred inflows of resources related to OPEB (Note 10)	3,927	4,610
Deferred inflows of resources related to leases (Note 12)	459,734	510,778
Total deferred inflows of resources	<u>465,002</u>	<u>517,633</u>
Net position		
Net investment in capital assets	472,686	317,705
Restricted for capital projects	149,524	34,093
Unrestricted	342,519	272,342
Total net position	<u>\$ 964,729</u>	<u>\$ 624,140</u>

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

This page left intentionally blank.

**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, 2025 and 2024
(dollar amounts in thousand)

	2025	2024 Restated)
Operating revenues (Note 12):		
Commercial and industrial	\$ 62,757	\$ 64,138
Parking	22,555	21,222
Cruise	8,466	9,428
Cargo	6,613	7,371
Fishing	2,114	2,683
Harbor services	7,690	7,519
Other maritime	9,286	6,821
Other	13,534	15,407
Total operating revenues	133,015	134,589
Operating expenses:		
Personal services	54,559	46,393
Contractual services	17,451	24,356
Utilities	3,701	4,183
Materials and supplies	1,655	1,648
Depreciation and amortization (Note 5 and Note 12)	32,192	26,100
General and administrative	3,310	2,539
Services provided by other City departments (Note 11)	34,806	31,960
Pollution remediation (Note 14)	805	5,105
Other	2,086	1,305
Total operating expenses	150,565	143,589
Operating loss	(17,550)	(9,000)
Nonoperating revenues (expenses):		
Interest and investment income	36,778	30,102
Operating grants and transfers	15,409	20,756
Proceeds from insurance	51,618	3,882
Settlements	-	199
Loss from lease terminations	(1,693)	(167)
Gain (loss) from dispositions, net	1	(79)
Gain from transfer of land	-	5,860
Interest expense	(4,218)	(4,376)
Promissory notes repayment received (Note 6)	1,549	-
Other revenues	231	365
Other contributions to developer (Note 6)	(10,501)	-
Contributions and grants to others	(4,652)	(11)
Total net nonoperating revenues	84,522	56,531
Change in net position before capital contributions	66,972	47,531
Capital contributions:		
Capital contributions from developers (Note 5)	153,886	14,241
Capital contributions from the City (Note 11)	119,626	-
Grants from government agencies and other contributions	105	492
Change in net position	340,589	62,264
Net position, beginning of the year, as previously reported	624,140	565,654
Cumulative effect of accounting change	-	(3,778)
Net position, beginning of the year, as restated	624,140	561,876
Net position, end of the year	\$ 964,729	\$ 624,140

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 Flow
For the Years Ended June 30, 2025 and 2024
(dollar amounts in thousand)

	2025	2024 (Restated)
Cash flows from operating activities:		
Cash received from tenants for rent	\$ 46,910	\$ 44,377
Cash received from customers and others	32,209	55,148
Deposits received from tenants and customers	893	711
Cash paid to employees for services	(52,748)	(51,624)
Cash paid to suppliers for goods and services	(27,348)	(49,026)
Cash paid to the City for services	(34,045)	(29,778)
Customer deposits returned	(551)	(715)
Net cash used in operating activities	<u>(34,680)</u>	<u>(30,907)</u>
Cash flows from noncapital financing activities:		
Operating grants	1,772	862
Proceeds from insurance	51,618	3,882
Payment for other contribution	(4,652)	(11)
Proceeds from miscellaneous settlements	-	199
Proceeds from other revenues	231	365
Net cash provided by noncapital financing activities	<u>48,969</u>	<u>5,297</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(25,840)	(9,247)
Interest payments on lease related capital and financing	(1,564)	(1,601)
Payment of lease liabilities	(1,574)	(1,555)
Payments of long-term debt	(3,129)	(3,012)
Receipts from leases	44,593	46,177
Interest receipts on leases	11,330	10,999
Interest payments on long-term debt	(2,917)	(3,025)
Capital grants and contributions received	516	260
Capital contributions received from the City	119,626	492
Repayment from loan to developer	142	136
Interest payments on loan to developer	24	24
Other contribution to developer	(10,501)	-
Proceeds from sale of equipment and materials	1	1
Proceeds from land transfer	-	5,860
Net cash provided by capital and related financing activities	<u>130,707</u>	<u>45,509</u>
Cash flows from investing activities:		
Interest and investment income	<u>24,266</u>	<u>15,975</u>
Change in cash and cash equivalents	169,262	35,874
Cash and cash equivalents, beginning of year	<u>436,650</u>	<u>400,776</u>
Cash and cash equivalents, end of year	<u><u>\$ 605,912</u></u>	<u><u>\$ 436,650</u></u>

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 Flow (Continued)
For the Years Ended June 30, 2025 and 2024
(dollar amounts in thousand)

	2025	2024 (As Restated)
Reconciliation of operating income to net cash used in operating activities:		
Operating loss	\$ (17,550)	\$ (9,000)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization	32,192	26,100
Change in allowance for doubtful accounts	1,522	(5,198)
Lease revenues/deferred inflows of resources related to leases amortization	(51,143)	(52,803)
Net effects of (increase) decrease in:		
Receivables	(1,183)	14,738
Tenant deposits held outside City Treasury	-	65
Materials and supplies	(76)	(58)
Prepaid charges, advances and other assets	(285)	138
Net effects of increase (decrease) in:		
Accounts payable and accrued expenses	3,410	(2,592)
Due from other City departments, Community Facilities Districts, and Infrastructure Financing Districts	(3,281)	(576)
Accrued payroll	667	144
Compensated absences	623	(163)
Accrued workers' compensation	756	564
Estimated claims payable	175	(130)
Pollution remediation obligations	805	5,105
Net OPEB liability and related deferred outflows/inflows of resources	(1,000)	(4,676)
Rent credits, unearned rent and other liabilities	(1,830)	(3,668)
Net pension liability/asset and related deferred outflows/inflows of resources	1,518	1,103
Net cash used in operating activities	<u>\$ (34,680)</u>	<u>\$ (30,907)</u>
Noncash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued expenses	\$ 6,552	\$ 2,829
Capital contribution received	116	-
Other asset received from developer	153,770	14,241
Equipment disposals	-	80
Pier 70 and Mission Rock CFDs promissory notes and accrued interest	14,189	4,324
Allowance for CFDs promissory notes and accrued interest	(14,189)	(4,324)
IFDs developer project cost reimbursements	237	2,723
Allowance for IFDs developer project cost reimbursements	(237)	(2,723)
Reconciliation of cash and equivalents to the statement of net position:		
Cash and investments held in City Treasury		
Unrestricted	\$ 440,811	\$ 387,022
Restricted	160,018	44,524
Cash and investments held outside City Treasury		
Unrestricted	1	1
Restricted	5,282	5,303
Cash and equivalents	606,112	436,850
Less: Investment outside of City Treasury not meeting the definition of cash equivalents	(200)	(200)
Total cash and cash equivalents	<u>\$ 605,912</u>	<u>\$ 436,650</u>

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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, 2025 and 2024, 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 first to 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, receives 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

Bond Premiums, Discounts, and Issuance Costs

Bond premiums and discounts are amortized using the straight-line method over the life of the bonds. Bonds payable are recorded net of the applicable bond premium or discount. Bond 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 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. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Capital Contributions

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

2. Significant Accounting Policies (Continued)

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 2023-24, the City and the Port implemented GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and the remaining requirements related to financial guarantees and derivative instruments under GASB Statement No. 99, *Omnibus 2022*. The adoption of the above-mentioned GASB statements did not have a material impact on the Port’s financial statements.

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. As a result of adoption, the cumulative effect of applying GASB 101 is recorded as a change to net position as of July 1, 2023 as follows:

	6/30/2023		Change in		6/30/2023
	As Previously		Accounting		As Restated
	Reported		Accounting		As Restated
Net Position	\$ 565,654	\$	(3,778)	\$	561,876

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.

The City and the Port are analyzing the potential impact of certain accounting standards pronouncements issued by the GASB including GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

Restatements and Reclassifications

Certain restatements and reclassifications have been made to prior year amounts to conform to the current fiscal year presentation and changes with the implementation of new accounting standards.

3. Cash and Investments

The Port's cash and investments at June 30, 2025 and 2024 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Cash and investments held in City Treasury	\$ 440,811	\$ 387,022
Cash held outside of City Treasury - imprest fund	1	1
Restricted assets:		
Cash and investments held in City Treasury	160,018	44,524
Cash and investments held outside of City Treasury:		
Cash and investments held by fiscal agents	5,082	5,103
Lessee deposits	<u>200</u>	<u>200</u>
Total cash and investments	<u>\$ 606,112</u>	<u>\$ 436,850</u>

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, 2025 and 2024. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer, subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, is composed of various City officials and representatives of agencies with large cash balances. 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 does 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, 2025 and 2024, all of the banks holding funds deposited by the Treasurer secure those deposits with sufficient collateral.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

3. Cash and Investments (Continued)

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 2025	20.8%	18.9%	17.5%	42.8%
FY 2024	22.2%	19.5%	16.3%	42.0%

On June 30, 2025 and 2024, the City's pooled investments have a weighted average maturity of 1.33 years and 1.25 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.

Investment classified in Level 2 of the fair value hierarchy is 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, 2025 and 2024, cash equivalents and investments held by fiscal agents consisted of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Reserve accounts:		
Cash equivalents - U.S. Bank commercial paper	\$ 1,236	\$ 1,237
Money market mutual fund	2,561	2,636
Project account:		
Money market mutual fund	1,282	1,227
Debt service and other accounts:		
Cash equivalents - U.S. Bank commercial paper	3	3
	<u>\$ 5,082</u>	<u>\$ 5,103</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

3. Cash and Investments (Continued)

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, 2025 and 2024. 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, 2025. The money market mutual fund has a Standard & Poor's rating of AAAm and a Moody's rating of Aaa-mf on June 30, 2024.

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, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Accounts receivable from tenants and customers	\$ 29,428	\$ 26,459
Grants receivable	1,820	646
Other	2,114	3,900
Subtotal	33,362	31,005
Less allowance for doubtful accounts	(17,718)	(16,196)
Receivables, net	<u>\$ 15,644</u>	<u>\$ 14,809</u>

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

At June 30, 2025 and 2024, the Port reported \$53,293,000 and \$65,346,000, 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.

In fiscal year 2024-25, the Port was awarded a grant from the Environmental Protection Agency. The Port sub awarded a portion of the grant to the San Francisco Bay Area Water Emergency Transportation Authority (SF Bay Ferry). At June 30, 2025, the Port reported \$1,430,000 in grants receivable related to work performed by SF Bay Ferry.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

5. Capital Assets

A summary of changes in capital assets for the years ended June 30, 2025 and 2024 are as follows (in thousands):

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated/amortized:				
Land	\$ 107,810	\$ -	\$ -	\$ 107,810
Construction in progress	11,161	28,545	12,194	27,512
Total capital assets, not being depreciated/ amortized	<u>118,971</u>	<u>28,545</u>	<u>12,194</u>	<u>135,322</u>
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	<u>33,929</u>	<u>-</u>	<u>-</u>	<u>33,929</u>
Total capital assets, being depreciated/ amortized	<u>875,557</u>	<u>167,098</u>	<u>1,953</u>	<u>1,040,702</u>
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	<u>23,484</u>	<u>1,661</u>	<u>-</u>	<u>25,145</u>
Total accumulated depreciation/amortization	<u>502,455</u>	<u>32,192</u>	<u>1,953</u>	<u>532,694</u>
Total capital assets, being depreciated/amortized, net	<u>373,102</u>	<u>134,906</u>	<u>-</u>	<u>508,008</u>
Capital assets, net	<u>\$ 492,073</u>	<u>\$ 163,451</u>	<u>\$ 12,194</u>	<u>\$ 643,330</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

5. Capital Assets (Continued)

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets, not being depreciated/amortized:				
Land	\$ 107,810	\$ -	\$ -	\$ 107,810
Construction in progress	9,622	10,318	8,779	11,161
Total capital assets, not being depreciated/ amortized	<u>117,432</u>	<u>10,318</u>	<u>8,779</u>	<u>118,971</u>
Capital assets, being depreciated/amortized:				
Facilities and improvements	700,117	19,646	-	719,763
Machinery and equipment	32,395	1,657	729	33,323
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	69,999	-	75	69,924
Dredging	13,916	2,438	-	16,354
Infrastructure	33,929	-	-	33,929
Total capital assets, being depreciated/ amortized	<u>852,620</u>	<u>23,741</u>	<u>804</u>	<u>875,557</u>
Less accumulated depreciation/amortization for:				
Facilities and improvements	408,076	20,470	-	428,546
Machinery and equipment	23,160	1,303	648	23,815
Intangible assets	2,264	-	-	2,264
Intangible lease assets (Note 12)	7,269	2,423	75	9,617
Dredging	13,916	813	-	14,729
Infrastructure	22,393	1,091	-	23,484
Total accumulated depreciation/amortization	<u>477,078</u>	<u>26,100</u>	<u>723</u>	<u>502,455</u>
Total capital assets, being depreciated/amortized, net	<u>375,542</u>	<u>(2,359)</u>	<u>81</u>	<u>373,102</u>
Capital assets, net	<u>\$ 492,974</u>	<u>\$ 7,959</u>	<u>\$ 8,860</u>	<u>\$ 492,073</u>

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 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, 2025, Port recorded MR Phase 1 horizontal infrastructure, valued at \$124,185,000, as Port capital assets.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

5. Capital Assets (Continued)

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.

Under a Disposition and Development Agreement between the Port and FC Pier 70, LLC, an affiliate of Brookfield Properties, the developer is required to construct public horizontal improvements including parks, streets, and utilities, which the Port or the City will accept for ownership, maintenance, and liability purposes. The developer substantially commenced construction serving Phase 1 of the project in March 2019. In April 2024, the City and the Port accepted irrevocable offers of public infrastructure associated with Phase 1 of the Pier 70 Project, a 28-acre site, including improvements located within portions of 20th, 21st, 22nd, Illinois, Louisiana, and Maryland Streets, according to Ordinance No. 066-24. During the year ended June 30, 2024, the Port recorded the capital contribution and accepted a portion of the Phase 1 construction of the horizontal infrastructure valued at \$14,241,000. Assets accepted by the Port included Louisiana Street, the structural frame of the former Building 15, a special sidewalk, in-street paving, and various other capital improvements constructed by the developer.

During the year ended June 30, 2024, the Port also received \$5,860,000 from the transfer of the Port's property located on a portion of 1236 Carroll Avenue with a book value of \$0 to the City, which will be used as a new fire training facility for the San Francisco Fire Department.

Facilities and improvements include pier substructures, which have an estimated useful life greater than 50 years. The cost of such long-lived assets totaled \$146,100,000 and \$21,915,000 as of June 30, 2025 and 2024, respectively.

6. Other Noncurrent Assets

On June 30, 2025 and 2024, other noncurrent assets were \$1,841,000 and \$2,048,000, respectively. Other 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, 2025 and 2024, the remaining principal balance was \$906,000 and \$1,048,000, respectively. On June 30, 2025 and 2024, the account balance includes interest receivable of \$125,000 and \$149,000, 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.

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

6. Other Noncurrent Assets (Continued)

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, 2025 and 2024, the Port accrued interest receivable in the amounts of \$6,784,000 and \$5,606,000, 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, 2025 and 2024, the principal balance increased to \$6,565,000 and \$6,558,000, respectively, with the inclusion of reimbursable appraisal costs added to the principal balance. As of June 30, 2025 and 2024, the Port accrued interest receivable in the amounts of \$5,613,000 and \$4,506,000, 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, 2025 and 2024 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, 2025 and 2024, the Port accrued interest receivable in the amounts of \$10,036,000 and \$7,762,000, 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 credit bid) to Mission Rock CFD. Mission Rock CFD credits or transfers in cash the prepaid

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

6. Other Noncurrent Assets (Continued)

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, 2025 and 2024, 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 cost 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. The Note evidences the promise to repay the Port by Mission Rock CFD, including interest accrued on the unpaid principal balance. As of June 30, 2025, the Port recorded a long-term note receivable of \$8,952,000 and a due from Mission Rock CFD of \$1,549,000. The Port accrued interest receivable in the amount of \$670,000.

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, 2025 and 2024, the Port has a long-term note receivable from the IFD of \$678,000 and \$4,358,000, respectively. The Port also recorded a due from IFD in the amount of \$3,680,000 as of June 30, 2025, reflecting near-term repayment of the promissory note. As of June 30, 2025 and 2024, the Port accrued interest receivable in the amount of \$1,492,000 and \$1,245,000, respectively. Other eligible IFD reimbursable costs incurred by the Port include \$175,000 related to streetscape improvements as of June 30, 2025 and 2024, and \$2,960,000 and \$2,723,000 related to Phase 2 improvements for Crane Cove Park as of June 30, 2025 and 2024, respectively.

Although the City and the IFD expect full satisfaction of the note and reimbursable costs incurred, repayment by the IFD towards the long-term note receivable balance, its related accrued interest receivable, and reimbursable costs incurred are not expected in the near term, and the specific timing of repayment is uncertain. As such, the Port has recorded full allowance against the long-term note receivable balance, related accrued interest, and the reimbursable costs.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables

The changes in bonds, loans, and other payables for the years ended June 30, 2025 and 2024 are as follows (in thousands):

	June 30, 2024 (As restated)	Additional Obligations and Net Increases	Retirements and Net Decreases	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	<u>64,404</u>	<u>-</u>	<u>2,837</u>	<u>61,567</u>	<u>2,705</u>
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	<u>\$ 163,121</u>	<u>\$ 9,190</u>	<u>\$ 11,751</u>	<u>\$ 160,560</u>	<u>\$ 19,849</u>

	June 30, 2023 (As restated)	Additional Obligations and Net Increases	Retirements and Net Decreases	June 30, 2024 (As restated)	Amounts Due Within One Year
Long-term debt:					
Revenue bonds	\$ 38,490	\$ -	\$ 1,785	\$ 36,705	\$ 1,840
Certificates of participation	24,765	-	740	24,025	780
Net of premiums/discounts:					
For issuance premiums	3,891	-	217	3,674	-
Total bonds payable	<u>67,146</u>	<u>-</u>	<u>2,742</u>	<u>64,404</u>	<u>2,620</u>
Other payables:					
Loan payables	6,229	-	487	5,742	509
Lease liabilities (Note 12)	67,436	-	1,555	65,881	1,574
Accrued compensated absences	7,280	2,121	2,284	7,117	3,806
Accrued workers' compensation (Note 15)	2,883	1,814	1,250	3,447	808
Estimated claims payable (Note 15)	630	-	130	500	300
Pollution remediation obligations (Note 14)	10,925	5,816	711	16,030	4,030
Long-term obligations	<u>\$ 162,529</u>	<u>\$ 9,751</u>	<u>\$ 9,159</u>	<u>\$ 163,121</u>	<u>\$ 13,647</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

Annual debt service requirements for all bonds and loans outstanding as of June 30, 2025 are as follows (in thousands):

Fiscal Year Ending June 30	Revenue Bonds		Certificates of Participation		State Loan Payables		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	1,890	1,381	815	1,177	532	235	3,237	2,793
2027	1,945	1,325	855	1,136	556	212	3,356	2,673
2028	2,000	1,265	900	1,092	581	187	3,481	2,544
2029	2,070	1,201	950	1,044	607	159	3,627	2,404
2030	2,135	1,135	1,000	995	403	133	3,538	2,263
2031-2035	8,935	4,548	5,830	4,132	2,305	376	17,070	9,056
2036-2040	11,080	2,388	7,465	2,497	249	12	18,794	4,897
2041-2044	4,810	505	5,430	552	-	-	10,240	1,057
Total	<u>\$ 34,865</u>	<u>\$ 13,748</u>	<u>\$ 23,245</u>	<u>\$ 12,625</u>	<u>\$ 5,233</u>	<u>\$ 1,314</u>	<u>\$ 63,343</u>	<u>\$ 27,687</u>

Remaining interest rates	<u>2.04% - 5.00%</u>	<u>4.75% - 5.25%</u>	<u>4.5%</u>
--------------------------	----------------------	----------------------	-------------

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

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.

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, 2025, 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, 2025 and 2024 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 \$6,750,000 and \$8,025,000 outstanding at June 30, 2025 and 2024, respectively, with remaining coupon rates from 2.043% to 2.408% and remaining maturities from March 2026 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 \$130,000 and \$139,000 as of June 30, 2025 and 2024, respectively.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

The Port has pledged future net revenues to repay the Revenue Bonds. As of June 30, 2025, the total principal and interest remaining to be paid on the bonds is \$48,613,000. 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. The principal and interest payments made in fiscal year 2023-24 were \$3,267,000, and the net revenue (total net operating income calculated in accordance with the bond indenture) was \$53,880,000.

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, 2025, the Port has satisfied the debt service coverage covenant.

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 becomes 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, 2025 and 2024.

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

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.

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 payments to the City equal to annual debt service on the COPs. 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, 2025, the total principal and interest remaining to be paid on this loan are \$926,000. Annual principal and interest payments were \$231,000 and \$232,000 in fiscal years 2024-25 and 2023-24, respectively, and pledged harbor revenues were \$196,000 and \$186,000 for the years ended June 30, 2025 and 2024, respectively. The loan contains a provision that in an 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, 2025, the total principal and interest remaining to be paid on the loans are \$5,621,000.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

These loans are secured by net revenues as defined in the loan agreements. Annual principal and interest payments were \$536,000 in 2025 and 2024, and pledged net revenues were \$1,782,000 and \$1,857,000 for the years ended June 30, 2025 and 2024, 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.

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, 2025 and 2024 is presented below. Additional details are included in the supplemental schedules on pages 85 to 89.

Condensed statements of net position (in thousands)

	June 30, 2025			June 30, 2024 (As Restated)		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Assets:						
Current and other assets	\$ 1,083,143	\$ 22,096	\$ 1,105,239	\$ 949,308	\$ 25,814	\$ 975,122
Capital assets	624,141	19,189	643,330	475,266	16,807	492,073
Total assets	1,707,284	41,285	1,748,569	1,424,574	42,621	1,467,195
Deferred outflows of resources	27,006	-	27,006	26,613	-	26,613
Liabilities:						
Current liabilities	52,119	1,842	53,961	38,867	1,336	40,203
Noncurrent liabilities	287,741	4,142	291,883	307,365	4,467	311,832
Total liabilities	339,860	5,984	345,844	346,232	5,803	352,035
Deferred inflows of resources	456,141	8,861	465,002	505,523	12,110	517,633
Net position:						
Net investment in capital assets	458,013	14,673	472,686	305,737	11,968	317,705
Restricted	149,524	-	149,524	34,093	-	34,093
Unrestricted	330,752	11,767	342,519	259,602	12,740	272,342
Total net position	\$ 938,289	\$ 26,440	\$ 964,729	\$ 599,432	\$ 24,708	\$ 624,140

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

7. Bonds, Loans and Other Payables (Continued)

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

	Year Ended June 30, 2025			Year Ended June 30, 2024 (As Restated)		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Revenues:						
Operating revenues	\$ 126,971	\$ 6,044	\$ 133,015	\$ 128,771	\$ 5,818	\$ 134,589
Nonoperating revenues	105,437	149	105,586	61,032	132	61,164
Capital contributions	273,617	-	273,617	14,733	-	14,733
Total revenues	506,025	6,193	512,218	204,536	5,950	210,486
Expenses:						
Operating expenses	146,303 *	4,262	150,565	139,628 *	3,961	143,589
Nonoperating expenses	20,865	199	21,064	4,420	213	4,633
Total expenses	167,168	4,461	171,629	144,048	4,174	148,222
Change in net position	338,857	1,732	340,589	60,488	1,776	62,264
Net position, beginning of year	599,432	24,708	624,140	542,629	23,025	565,654
Cumulative effect of accounting change	-	-	-	(3,685)	(93)	(3,778)
Net position, beginning of year, as restated	599,432	24,708	624,140	538,944	22,932	561,876
Net position, end of the year	\$ 938,289	\$ 26,440	\$ 964,729	\$ 599,432	\$ 24,708	\$ 624,140

* Includes SBH pension and OPEB expenses.

Condensed statements of cash flows (in thousands)

	Year Ended June 30, 2025			Year Ended June 30, 2024 (As Restated)		
	Port (excluding SBH)	South Beach Harbor (SBH)	Total	Port (excluding SBH)	South Beach Harbor (SBH)	Total
Net cash provided by (used in):						
Operating activities	\$ (35,146)	\$ 466	\$ (34,680)	\$ (31,028)	\$ 121	\$ (30,907)
Noncapital financing activities	48,969	-	48,969	5,297	-	5,297
Capital and related financing activities	132,350	(1,643)	130,707	43,823	1,686	45,509
Investing activities	24,266	-	24,266	15,975	-	15,975
Increase/(decrease) in cash and cash equivalents	170,439	(1,177)	169,262	34,067	1,807	35,874
Cash and cash equivalents						
Beginning of year	421,610	15,040	436,650	387,543	13,233	400,776
End of year	\$ 592,049	\$ 13,863	\$ 605,912	\$ 421,610	\$ 15,040	\$ 436,650

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	<u>2025</u>	<u>2024</u>
Valuation Date	June 30, 2023 updated to June 30, 2024	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

The Retirement System Plan - The City is an employer of the Retirement System Plan with a proportionate share of 94.70% as of the June 30, 2024 measurement date and 94.85% as of the June 30, 2023 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 0.84% as of the June 30, 2024 measurement date and 0.83% as of the June 30, 2023 measurement date.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 2023-24. 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 0.28% as of the June 30, 2024 measurement date and 0.17% as of the June 30, 2023 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 - 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 there are sufficient “excess” investment earnings in the Retirement System Plan. 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 market value of assets. Also, Pre96 Retirees’ base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with 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 and 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 2024-25 varied from 7.5% to 11.0% as a percentage of gross covered salary. Employee contribution rates for fiscal year 2023-24 varied from 7.5% to 11.5% 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, 2023 actuarial report, the required employer contribution rate for fiscal year 2024-25 was 14.91% to 16.91% and based on the July 1, 2022 actuarial report, the required employer contribution rate for fiscal year 2023-24 was 15.24% to 18.24%.

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, 2024 and 2023 (measurement years) were \$637.0 million and \$638.0 million, respectively. The Port’s allocation of employer contributions for fiscal years 2023-24 and 2022-23 were \$5,289,000 and \$5,197,000, 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 and \$4.6 million in replacement benefits in the year ended June 30, 2025 and 2024, respectively.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

8. Retirement Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – 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. As of June 30, 2024, 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 \$3.59 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, 2023 (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, 2022 and June 30, 2022, respectively, rolled forward to June 30, 2023 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, 2025 and 2024 were \$31,656,000 and \$28,701,000, respectively. The Port’s allocation of the total pension liability for the RBP as of June 30, 2025 and 2024 were \$381,000 and \$227,000, respectively.

For the years ended June 30, 2025 and 2024, the City’s recognized pension expense, including amortization of deferred outflows/inflows related to pension items, were \$734,418,000 and \$667,276,000, respectively. Pension expense increased from the prior year, largely due to the amortization of deferrals. The Port’s allocation of pension expense, including amortization of deferred outflows/inflows related to pension items for fiscal years 2024-25 and 2023-24, were \$6,982,000 and \$6,390,000, respectively.

At June 30, 2025, the Port reported deferred outflows of resources and deferred inflows of resources related to pension 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
	<u>\$ 19,603</u>	<u>\$ 1,030</u>	<u>\$ 119</u>	<u>\$ 311</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

8. Retirement Plan (Continued)

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.

At June 30, 2024, 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, 2024			
	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	\$ 5,289	\$ -	\$ -	\$ -
Differences between expected and actual experience	3,084	-	20	58
Change in assumptions	3,714	1,695	18	47
Net difference between projected and actual earnings on pension plan investments	5,432	-	-	-
Change in employer's proportionate share	1,366	379	112	66
	<u>\$ 18,885</u>	<u>\$ 2,074</u>	<u>\$ 150</u>	<u>\$ 171</u>

At June 30, 2024, the Port reported \$5,289,000 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, 2025.

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):

Year Ending June 30	Deferred Outflows/(Inflows) of Resources		
	The Retirement System Plan	Replacement Benefits Plan	Total
2026	\$ (719)	\$ (72)	(791)
2027	11,395	(62)	11,333
2028	1,973	(23)	1,950
2029	461	(35)	426

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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, 2024 and 2023 (measurement years) is provided below. This includes any assumptions that differ from those used in actuarial valuations as of July 1, 2023. Refer to the July 1, 2023 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	
	2025	2024	2025	2024
Valuation Date	July 1, 2023 updated to June 30, 2024	June 30, 2022 updated to June 30, 2023	July 1, 2023 updated to June 30, 2024	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
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	3.93% as of June 30, 2024	3.65% as of June 30, 2023	3.93% as of June 30, 2024	3.65% as of June 30, 2023
	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 29, 2023 and June 27, 2024	June 30, 2022 and June 29, 2023	June 29, 2023 and June 27, 2024	June 30, 2022 and June 29, 2023
Discount Rate	7.20% as of June 30, 2024	7.20% as of June 30, 2023	3.93% as of June 30, 2024	3.65% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2024	0.60% of payroll as of June 30, 2023	0.60% of payroll as of June 30, 2024	0.60% of payroll as of June 30, 2023

Changes of assumptions – For the Retirement System Plan, the municipal bond yield increased from 3.65% to 3.93%. For the RBP, the discount rate for the measurement period ended June 30, 2024 and the municipal bond yield increased from 3.65% to 3.93%.

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, 2024 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, 2023.

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, 2024 (measurement date) and June 30, 2023 (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, 2023 and 2022 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. In the July 1, 2016 valuation, the increase

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

8. Retirement Plan (Continued)

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 0.50% Supplement COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to the favorable investment returns for fiscal year ended 2024. 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, 2024 and 2023 Valuations		
	<u>1996 - Prop C</u>	<u>Before 11/06/96 or after Prop C</u>
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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

8. Retirement Plan (Continued)

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 2106. As of June 30, 2024 and 2023 (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 3.93% and 3.65%, respectively, to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2024 and 2023 (measurement date) was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%, as of June 30, 2024 and 2023 (measurement period). 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, 2024 and 2023 (measurement periods) are summarized in the following table.

Asset Class	June 30, 2024 Valuation		June 30, 2023 Valuation	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0%	4.2%	37.0%	4.6%
Treasuries	8.0%	1.8%	8.0%	1.7%
Liquid Credit	5.0%	3.9%	5.0%	3.5%
Private Credit	10.0%	5.9%	10.0%	5.8%
Private Equity	23.0%	7.2%	23.0%	7.8%
Real Assets	10.0%	5.5%	10.0%	5.3%
Absolute Returns	10.0%	4.4%	10.0%	4.4%
Cash	0.0%	1.2%	0.0%	0.0%
Leverage	-3.0%	1.6%	-3.0%	1.4%

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 3.93% and 3.65% as of June 30, 2024 and 2023, 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 29, 2023 and June 27, 2024. These are the rates used to determine the total pension liability as of June 30, 2024.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

8. Retirement Plan (Continued)

The inflation assumption of 2.50% as of June 30, 2022 and 2021, respectively, 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 \$275,000 and \$265,000 for June 30, 2024 and 2023 (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, 2025, the City's membership in the RBP had a total of 284 active members and 154 retirees and beneficiaries currently receiving benefits. The Port has two active members and one retiree or beneficiary currently receiving benefits.

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, 2024 (Measurement Year) (\$000's)			June 30, 2023 (Measurement Year) (\$000's)		
Share of NPL/(NPA) @	Share of NPL/(NPA) @	Share of NPL/(NPA) @	Share of NPL/(NPA) @	Share of NPL/(NPA) @	Share of NPL/(NPA) @
6.20%	7.20%	8.20%	6.20%	7.20%	8.20%
\$ 72,872	\$ 31,656	\$ (2,305)	\$ 67,319	\$ 28,701	\$ (3,139)

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, 2024 (Measurement Year) (\$000's)			June 30, 2023 (Measurement Year) (\$000's)		
1% Decrease @ 2.93%	Measurement Date @ 3.93%	1% Increase @ 4.93%	1% Decrease @ 2.65%	Measurement Date @ 3.65%	1% Increase @ 4.65%
\$ 450	\$ 381	\$ 327	\$ 268	\$ 227	\$ 194

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

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

	<u>2025</u>	<u>2024</u>
Valuation Date	June 30, 2024	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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, 2024 and 2023 (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 0.75% and 0.76% as of June 30, 2024 and 2023 (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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

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 UnitedHealthcare 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.

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, 2025 and 2024, the City’s funding was based on “pay-as-you-go” plus a contribution of \$52.1 million and \$48.7 million to the Retiree Healthcare Trust Fund. The “pay-as-you-go” portions paid by the City were \$248.8 million for a total contribution of \$300.9 million for the year ended June 30, 2025, and \$230.0 million for a total contribution of \$278.7 million for the year ended June 30, 2024. The Port’s proportionate share of the City’s contributions for the fiscal years 2024-25 and 2023-24 were \$2,247,000 and \$2,121,000, respectively.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB – As of June 30, 2025 and 2024, 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, 2025 and 2024 were \$29,284,000 and \$29,886,000, respectively.

For the years ended June 30, 2025 and 2024, the City’s recognized OPEB expense in the amount of \$259.6 million and \$261.2 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/(income) was \$1,247,000 and (\$2,671,000), respectively for the years ended June 30, 2025 and 2024.

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	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 2,246	\$ -
Difference 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	<u>\$ 7,154</u>	<u>\$ 3,927</u>

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.

As of June 30, 2024, 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, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 2,121	\$ -
Difference between expected and actual experience	1,284	3,465
Changes in assumptions	869	-
Net difference between projected and actual earnings on plan investments	229	-
Change in proportion	2,936	1,145
Total	<u>\$ 7,439</u>	<u>\$ 4,610</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

At June 30, 2024, the Port reported \$2,121,000 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, 2025.

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 ended June 30	Deferred Outflows/(Inflows) of Resources
2026	\$ 55
2027	(22)
2028	25
2029	719
Thereafter	204

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions – A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2024 and 2023 (measurement dates) is provided below:

Valuation Dates	June 30, 2024 and June 30, 2022 updated to June 30, 2023
Measurement Dates	June 30, 2024 and 2023
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 6.87% and 7.24%, respectively, trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% and 7.24%, respectively, trending down to ultimate rate of 3.93% and 3.94% 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
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in Retirement System experience study for the period ended June 30, 2019. Non-Annuitant

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

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubG-2010 Employee	0.916	0.995

Beneficiaries

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

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, 2024 and 2023.

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:

<u>Measurement Year</u>	<u>(\$000's)</u>		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
June 30, 2024	\$ 24,680	\$ 29,284	\$ 34,992
June 30, 2023	\$ 25,415	\$ 29,886	\$ 35,433

Discount Rate – The discount rates used to measure the total OPEB liability as of June 30, 2024 and 2023 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, 2024 and 2023 (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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

Target allocation as of June 30, 2024 and 2023 (measurement periods) for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

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 Bonds	7.0%	1.9%
Short-term Treasury Inflation-Protected Securities	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 Management Strategies		
Global Macro	10.0%	1.6%
Total	100.0%	

Asset Class	June 30, 2023 Valuation	
	Target Allocation	Long - term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	8.7%
U.S. Small Cap	2.0%	9.3%
Developed Market Equity (non-U.S.)	13.0%	9.8%
Emerging Market Equity	10.0%	10.0%
Credit		
Bank Loans	3.0%	7.0%
High Yield Bonds	3.0%	7.3%
Rate Securities		
Investment Grade Bonds	7.0%	4.7%
Short-term Treasury Inflation-Protected Securities	5.0%	3.6%
Private Markets		
Private Equity	10.0%	11.0%
Private Debt	5.0%	9.0%
Core Private Real Estate	5.0%	6.5%
Infrastructure (Core Private)	2.0%	7.8%
Risk Management Strategies		
Global Macro	10.0%	5.7%
Total	100.0%	

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

10. Other Postemployment Benefits (OPEB) (Continued)

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:

<u>Measurement Year</u>	<u>(\$000's)</u>		
	<u>1% Decrease</u> <u>6.00%</u>	<u>Discount Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
June 30, 2024	\$ 34,520	\$ 29,284	\$ 24,987
June 30, 2023	\$ 34,978	\$ 29,886	\$ 25,710

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 2024-25, services provided by other City departments included \$10,839,000 of insurance premiums and \$1,297,000 in workers' compensation expense. In fiscal year 2023-24, services provided by other City departments included \$10,118,000 of insurance premiums and \$1,250,000 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 \$1,994,000 and \$3,159,000 in fiscal years 2024-25 and 2023-24, respectively. Rental revenues from City departments included in operating revenues were approximately \$8,762,000 and \$9,272,000 in fiscal years 2024-25 and 2023-24, respectively.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

11. Related Party Transactions (Continued)

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 credits toward the lease payments until all required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2025 and 2024, accumulated rent credits of \$815,000 and \$781,000, respectively, have been provided to SFFD. The Port reported \$1,485,000 and \$1,519,000, 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, 2025 and 2024, the balances were \$371,000 and \$388,000, 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, 2025 and 2024.

In 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, 2025 and 2024, the Port reported \$13,509,000 and \$13,708,000, 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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

11. Related Party Transactions (Continued)

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, 2025 and 2024, accumulated rent credits of \$115,000 and \$96,000, respectively, have been provided to SFFD. The Port reported \$827,000 and \$846,000, 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 and 2023-24, the SFPUC paid the Port \$1,195,000 and \$1,757,000, respectively.

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 Power facilitates the sale of municipal customers' LCFS credits to potential credit buyers through the CARB LCFS credit sales portal. In fiscal years 2024-25 and 2023-24, the Port received \$231,000 and \$365,000, 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 year 2024-25 and 2023-24, OCII reimbursed the Port \$528,000 and \$468,000, respectively, for the park maintenance. The Port recorded an interfund receivable of \$178,000 from OCII for the fiscal year 2024-25.

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 to 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 2024-25 and 2023-24, as well as receivable and deferred inflows of resources amounts recognized as of June 30, 2025 and 2024 is presented below (in thousands):

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

Asset Classes	Lease Revenue 2024	Interest Revenue 2024	Lease Receivable 2024	Deferred Inflow of Resources 2024
Land	\$ 11,926	\$ 2,173	\$ 95,683	\$ 101,289
Buildings, office space and others	40,877	9,652	414,181	409,489
Total	\$ 52,803	\$ 11,825	\$ 509,864	\$ 510,778

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, 2025 and 2024, property rental revenues were comprised as follows (in thousands):

	2025	2024
Minimum rentals, all revenue types	\$ 85,109	\$ 81,950
Percentage rentals	15,278	16,266
Total	\$ 100,387	\$ 98,216

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

12. Leases (Continued)

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, 2025, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2026	\$ 41,516	\$ 11,433	\$ 52,949
2027	36,427	10,502	46,929
2028	27,492	9,734	37,226
2029	23,552	9,130	32,682
2030	18,151	8,622	26,773
2031-2035	69,862	38,267	108,129
2036-2040	44,548	31,630	76,178
2041-2045	37,723	26,746	64,469
2046-2050	33,582	21,693	55,275
2051-2055	17,153	18,255	35,408
2056-2060	18,192	15,779	33,971
2061-2065	23,553	12,917	36,470
2066-2070	23,792	9,044	32,836
2071-2075	31,934	5,046	36,980
2076-2080	14,201	1,230	15,431
2081-2082	1,999	76	2,075
Total	\$ 463,677	\$ 230,104	\$ 693,781

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, 2025 and 2024, excursion revenues were \$5,510,000 and \$4,281,000, respectively, and reported as part of harbor services operating revenue.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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):

	<u>2025</u>	<u>2024</u>
	<u>Real Estate</u>	<u>Real Estate</u>
Lease asset (intangible)	\$ 69,924	\$ 69,924
Accumulated amortization	<u>12,020</u>	<u>9,617</u>
Lease asset, net	<u><u>\$ 57,904</u></u>	<u><u>\$ 60,307</u></u>

The future principal and interest payments for the lease from the lessee position as of June 30, 2025, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,777	\$ 1,521	\$ 3,298
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
2031-2035	11,856	5,773	17,629
2036-2040	13,366	4,260	17,626
2041-2045	15,068	2,554	17,622
2046-2050	<u>13,728</u>	<u>670</u>	<u>14,398</u>
Total	<u><u>\$ 64,307</u></u>	<u><u>\$ 20,370</u></u>	<u><u>\$ 84,677</u></u>

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, 2025 and 2024, the lease liability for this sublease were \$64,307,000 and \$65,881,000, respectively.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

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, 2025, the Port had unspent funding of \$143,729,000 remaining from funding to the Port from the general obligation bonds issued. This also includes \$4,445,000 in interest earnings. 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, 2025, for approximately \$34,520,000 for capital projects and \$4,175,000 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.

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

14. Contingencies (Continued)

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 have been delayed, and thus, Port will seek a corresponding time extension amendment from BCDC. The new kayak launch and hoists are on track to be installed by December 2025. 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.

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.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

14. Contingencies (Continued)

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. As part of the RMP, annual site inspections, monitoring and reporting, annual vulnerability assessments, and a revised RMP will be required.

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 \$6,690,000 on June 30, 2025 and \$5,530,000 on June 30, 2024. These are obligations not assumed by the Port development partners. As of June 30, 2025 and June 30, 2024, \$2,700,000 and \$2,500,000, 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, \$3,200,000 and \$2,790,000, respectively, are the estimated costs to perform additional remediation involving the Pier 70/68 Shipyard Uplands project, and \$790,000 and \$240,000, respectively, are the estimated costs for RMP management, and required monitoring and reporting.

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

14. Contingencies (Continued)

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.

The Port completed Phase 1 of MBFL construction in November 2020. Phase two will include 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. Construction for phase two is scheduled to be completed in fiscal year 2025-26. As of June 30, 2025 and 2024, the Port estimated accrued pollution remediation costs to be \$5,500,000 and \$5,800,000, 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 April 2021, the potentially responsible company performed integrity testing on underground pipelines, which supplied renewable diesel fuel to the Hyde Street Harbor Fuel Dock.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

14. Contingencies (Continued)

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, who then issued a Cleanup Order to potentially responsible parties to prepare and submit a Remedial Action Plan.

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, the anticipated schedule is to begin remediation work in late 2025, continuing into 2026. Monitoring and reporting could continue for up to approximately 15 years. As of June 30, 2025 and 2024, the Port has estimated that its accrued remediation costs to be approximately \$4,500,000.

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.”

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, who 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 September 2025 and anticipates performing more investigation work during early 2026. The site characterization and any possible cleanup requirements are still to be determined. As of June 30, 2025 and 2024, the accrued costs are estimated to be \$145,000 and \$200,000, respectively, and are related to the investigation and preparation of the Site History Report and Investigation Work Plan and Addendum, and initial investigation.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

14. Contingencies (Continued)

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2025 and 2024, is as follows (in thousands):

	<u>Environmental Remediation</u>
Environmental liabilities at July 1, 2023	\$ 10,925
Current year claims and changes in estimates	<u>5,105</u>
Environmental liabilities at June 30, 2024	<u>\$ 16,030</u>
Environmental liabilities at July 1, 2024	\$ 16,030
Current year claims and changes in estimates	<u>805</u>
Environmental liabilities at June 30, 2025	<u>\$ 16,835</u>

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, 2025 and 2024 are \$675,000 and \$500,000, 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, 2025: (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 \$100,000,000, subject to a deductible of \$25,000; (iii) commercial property insurance for Port facilities, subject to a maximum coverage of \$500,000,000 and a deductible of \$1,000,000 per occurrence; (iv) public officials and employee practices liability coverage of

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

15. Risk Management (Continued)

\$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.

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, 2025 and 2024 has been evaluated by an independent actuary.

With respect to the general liability accrual, the Port has various unsettled lawsuits filed, or claims asserted against it as of June 30, 2025 and 2024. 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, 2025 and 2024 resulted from the following activity (in thousands):

	General Liability		Workers' Compensation	
	2025	2024	2025	2024
Beginning of year	\$ 500	\$ 630	\$ 3,447	\$ 2,883
Current year claims & changes in estimate	361	(130)	2,053	1,814
Settlements	(186)	-	(1,297)	(1,250)
End of year	<u>\$ 675</u>	<u>\$ 500</u>	<u>\$ 4,203</u>	<u>\$ 3,447</u>

This page left intentionally blank

Supplemental Schedules

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Supplemental Schedule - Combining Statements of Net Position
June 30, 2025 and 2024
(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2025	South Beach Harbor 2025	Total 2025	Port (excluding South Beach Harbor) 2024 (As restated)	South Beach Harbor 2024 (As restated)	Total 2024 (As restated)
Assets						
Current assets:						
Unrestricted:						
Cash and investments held in City Treasury	\$ 427,307	\$ 13,504	\$ 440,811	\$ 372,348	\$ 14,674	\$ 387,022
Cash held outside of City Treasury	1	-	1	1	-	1
Receivables, net	15,409	235	15,644	14,547	262	14,809
Current lease receivables	37,648	3,868	41,516	39,538	4,344	43,882
Due from other City funds	178	-	178	576	-	576
Due from other City funds - Community Facilities Districts and Infrastructure Financing Districts	5,228	-	5,228	-	-	-
Accrued interest receivable	5,045	-	5,045	4,589	-	4,589
Accrued interest receivable related to leases	4,157	11	4,168	3,731	10	3,741
Materials and supplies	2,009	-	2,009	1,933	-	1,933
Prepaid charges and advances	405	-	405	79	-	79
Total unrestricted current assets	497,387	17,618	515,005	437,342	19,290	456,632
Restricted:						
Cash and investments held in City Treasury	159,659	359	160,018	44,158	366	44,524
Cash and investments held outside of City Treasury	5,282	-	5,282	5,303	-	5,303
Total restricted current assets	164,941	359	165,300	49,461	366	49,827
Total current assets	662,328	17,977	680,305	486,803	19,656	506,459
Noncurrent assets:						
Capital assets:						
Nondepreciable	131,363	3,959	135,322	118,307	664	118,971
Depreciable, net	434,874	15,230	450,104	296,652	16,143	312,795
Intangible lease assets	57,904	-	57,904	60,307	-	60,307
Capital assets, net	624,141	19,189	643,330	475,266	16,807	492,073
Unrestricted other noncurrent assets	1,841	-	1,841	2,048	-	2,048
Long-term lease receivables	418,042	4,119	422,161	459,824	6,158	465,982
Long-term accrued interest receivable related to leases	932	-	932	633	-	633
Total noncurrent assets	1,044,956	23,308	1,068,264	937,771	22,965	960,736
Total assets	1,707,284	41,285	1,748,569	1,424,574	42,621	1,467,195
Deferred outflows of resources						
Deferred outflows of resources from refunding of debt	130	-	130	139	-	139
Deferred outflows of resources related to pension	19,722	-	19,722	19,035	-	19,035
Deferred outflows of resources related to other postemployment benefits (OPEB)	7,154	-	7,154	7,439	-	7,439
Total deferred outflows of resources	27,006	-	27,006	26,613	-	26,613

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Supplemental Schedule - Combining Statements of Net Position (Continued)
June 30, 2025 and 2024
(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2025	South Beach Harbor 2025	Total 2025	Port (excluding South Beach Harbor) 2024 (As restated)	South Beach Harbor 2024 (As restated)	Total 2024 (As restated)
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 12,074	\$ 611	\$ 12,685	\$ 5,443	\$ 109	\$ 5,552
Accrued interest payable	886	182	1,068	925	195	1,120
Accrued interest payable leases	129	-	129	132	-	132
Accrued payroll	3,355	151	3,506	2,697	142	2,839
Compensated absences	3,986	78	4,064	3,737	69	3,806
Accrued workers' compensation	961	-	961	808	-	808
Estimated claims payable	475	-	475	300	-	300
Current maturities of long-term obligations	2,899	338	3,237	2,806	323	3,129
Pollution remediation obligations	9,335	-	9,335	4,030	-	4,030
Unearned rents and advance payments	3,811	123	3,934	3,245	131	3,376
Rent credits due to tenants	1,632	-	1,632	2,556	-	2,556
Current lease liabilities	1,777	-	1,777	1,574	-	1,574
Lessee and other deposits	10,799	359	11,158	10,614	367	10,981
Total current liabilities	52,119	1,842	53,961	38,867	1,336	40,203
Noncurrent liabilities:						
Compensated absences	3,597	79	3,676	3,245	66	3,311
Accrued workers' compensation	3,242	-	3,242	2,639	-	2,639
Estimated claims payable	200	-	200	200	-	200
Long-term obligations - net of current maturities	59,500	4,063	63,563	62,616	4,401	67,017
Pollution remediation obligations	7,500	-	7,500	12,000	-	12,000
Net pension liability	32,037	-	32,037	28,928	-	28,928
Net OPEB liability	29,284	-	29,284	29,886	-	29,886
Long-term lease liabilities	62,530	-	62,530	64,307	-	64,307
Rent credits due to tenants	36,558	-	36,558	38,198	-	38,198
Unearned grants	53,293	-	53,293	65,346	-	65,346
Total noncurrent liabilities	287,741	4,142	291,883	307,365	4,467	311,832
Total liabilities	339,860	5,984	345,844	346,232	5,803	352,035
Deferred inflows of resources						
Deferred inflows of resources related to pensions	1,341	-	1,341	2,245	-	2,245
Deferred inflows of resources related to OPEB	3,927	-	3,927	4,610	-	4,610
Deferred inflows of resources related to leases	450,873	8,861	459,734	498,668	12,110	510,778
Total deferred inflows of resources	456,141	8,861	465,002	505,523	12,110	517,633
Net position						
Net investment in capital assets	458,013	14,673	472,686	305,737	11,968	317,705
Restricted for capital projects	149,524	-	149,524	34,093	-	34,093
Unrestricted	330,752	11,767	342,519	259,602	12,740	272,342
Total net position	\$ 938,289	\$ 26,440	\$ 964,729	\$ 599,432	\$ 24,708	\$ 624,140

This page left intentionally blank.

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

Supplemental Schedule - Combining Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024
(dollar amounts in thousands)

	Port (excluding South Beach Harbor) 2025	South Beach Harbor 2025	Total 2025	Port (excluding South Beach Harbor) 2024 (As restated)	South Beach Harbor 2024 (As restated)	Total 2024 (As restated)
Operating revenues:						
Commercial and industrial	\$ 62,643	\$ 114	\$ 62,757	\$ 64,021	\$ 117	\$ 64,138
Parking	22,377	178	22,555	21,023	199	21,222
Cruise	8,466	-	8,466	9,428	-	9,428
Cargo	6,613	-	6,613	7,371	-	7,371
Fishing	2,114	-	2,114	2,683	-	2,683
Harbor services	2,267	5,423	7,690	2,274	5,245	7,519
Other maritime	9,008	278	9,286	6,610	211	6,821
Other	13,483	51	13,534	15,361	46	15,407
Total operating revenues	126,971	6,044	133,015	128,771	5,818	134,589
Operating expenses:						
Personal services	52,770	1,789	54,559	44,592	1,801	46,393
Contractual services	16,982	469	17,451	23,990	366	24,356
Utilities	3,230	471	3,701	3,848	335	4,183
Materials and supplies	1,447	208	1,655	1,522	126	1,648
Depreciation and amortization	31,279	913	32,192	25,210	890	26,100
General and administrative	3,259	51	3,310	2,499	40	2,539
Services provided by other City departments	34,547	259	34,806	31,739	221	31,960
Pollution remediation	805	-	805	5,105	-	5,105
Other	1,984	102	2,086	1,123	182	1,305
Total operating expenses	146,303	4,262	150,565	139,628	3,961	143,589
Operating income (loss)	(19,332)	1,782	(17,550)	(10,857)	1,857	(9,000)
Nonoperating revenues (expenses):						
Interest and investment income	36,629	149	36,778	29,970	132	30,102
Operating grants and transfers	15,409	-	15,409	20,756	-	20,756
Proceeds from insurance settlement	51,618	-	51,618	3,882	-	3,882
Settlements	-	-	-	199	-	199
Loss from lease terminations	(1,693)	-	(1,693)	(167)	-	(167)
Gain from dispositions, net	1	-	1	(79)	-	(79)
Gain from transfer of land	-	-	-	5,860	-	5,860
Interest expense	(4,019)	(199)	(4,218)	(4,163)	(213)	(4,376)
Promissory notes repayment from developer	1,549	-	1,549	-	-	-
Other revenues	231	-	231	365	-	365
Other contributions to developer	(10,501)	-	(10,501)	-	-	-
Contributions and grants to others	(4,652)	-	(4,652)	(11)	-	(11)
Total net nonoperating revenues (expenses)	84,572	(50)	84,522	56,612	(81)	56,531
Change in net position before capital contributions	65,240	1,732	66,972	45,755	1,776	47,531
Capital contributions:						
Capital contributions from developers	153,886	-	153,886	14,241	-	14,241
Capital contributions from the City	119,626	-	119,626	-	-	-
Grants from government agencies and other contributions	105	-	105	492	-	492
Change in net position	338,857	1,732	340,589	60,488	1,776	62,264
Net position, beginning of the year, as previously reported	599,432	24,708	624,140	542,629	23,025	565,654
Cumulative effect of accounting change	-	-	-	(3,685)	(93)	(3,778)
Net position, beginning of the year, as restated	599,432	24,708	624,140	538,944	22,932	561,876
Net position, end of the year	\$ 938,289	\$ 26,440	\$ 964,729	\$ 599,432	\$ 24,708	\$ 624,140

This page left intentionally blank