

Annual Report For Fiscal Year Ended June 30, 2020



Port Commission of the City and County of San Francisco

Issued: March 31, 2021

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I. Introduction

The Port Commission of the City and County of San Francisco (Port) hereby makes this disclosure filing in connection with the Port's Revenue Bonds, Series 2014A and Series 2014B, Series 2020A and Series 2020B, identified by the CUSIP numbers shown below.

The Port hereby provides its annual disclosure report for the fiscal year (FY) ended June 30, 2020 prepared in accordance with the Continuing Disclosure Certificates dated May 29, 2014 and February 27, 2020.

II. Port Revenue Bonds

The Port Commission has outstanding the following reportable obligations (collectively, the "Bonds").

<i>Continuing Disclosure Certificate</i>	<i>Issue Name</i>	<i>Original Par Amount</i>	<i>Outstanding Par Amount</i> [†]
May 29, 2014	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A (AMT Tax-Exempt)	\$19,880,000	\$19,820,000
February 27, 2020	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)	\$10,885,000	\$10,885,000
February 27, 2020	Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020B (Taxable)	\$12,895,000	\$12,895,000

† As of the report issuance date.

Series 2014A Bonds (AMT Tax-Exempt)

<i>CUSIP Number</i>		
<i>Maturity Date</i>	<i>Principal Amount</i>	<i>CUSIP No.</i>
3/1/2021	475,000	797679 AX5
3/1/2022	495,000	797679 AY3
3/1/2024	1,055,000	797679 BE6
3/1/2026	1,160,000	797679 BF3
3/1/2028	1,280,000	797679 AZ0
3/1/2030	1,415,000	797679 BA4
3/1/2035	4,115,000	797679 BB2
3/1/2044	<u>9,825,000</u>	797679 BC0
	\$19,820,000	

Series 2020A Bonds (Non-AMT Tax-Exempt)

<i>CUSIP Number</i>		
<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>	<u><i>CUSIP No.</i></u>
3/1/2031	\$875,000	797679 BN6
3/1/2032	\$915,000	797679 BP1
3/1/2033	\$960,000	797679 BQ9
3/1/2034	\$1,010,000	797679 BR7
3/1/2035	\$1,060,000	797679 BS5
3/1/2036	\$1,115,000	797679 BT3
3/1/2037	\$1,165,000	797679 BU0
3/1/2038	\$1,215,000	797679 BV8
3/1/2039	\$1,260,000	797679 BW6
3/1/2040	<u>\$1,310,000</u>	797679 BX4
	\$10,885,000	

Series 2020B Bonds (Taxable)

<i>CUSIP Numbers</i>		
<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>	<u><i>CUSIP No.</i></u>
3/1/2021	\$1,185,000	797679 BY2
3/1/2022	\$1,210,000	797679 BZ9
3/1/2023	\$1,230,000	797679 CA3
3/1/2024	\$1,245,000	797679 CB1
3/1/2025	\$1,275,000	797679 CC9
3/1/2026	\$1,295,000	797679 CD7
3/1/2027	\$1,320,000	797679 CE5
3/1/2028	\$1,345,000	797679 CF2
3/1/2029	\$1,380,000	797679 CG0
3/1/2030	<u>\$1,410,000</u>	797679 CH8
	\$12,895,000	

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III. Other Non-Reportable Obligations

<u>Issue Name</u>	<u>Original Par Amount</u>	<u>Balance as of Report Issuance Date</u>	<u>Final Maturity</u>
Certificates of Participation*	\$37,700,000	\$28,795,000	2043
California Division of Boating & Waterways Loan	\$3,500,000	\$1,528,639	2028

* A Certificates of Participation (COPs) financing was completed on October 31, 2013 by the City and County of San Francisco (City) on behalf of the Port. Under terms of a Memorandum of Understanding with the City, the Port has agreed during the term of the COPs to budget sufficient funding to service the obligation.

IV. Port of San Francisco, Debt Service Coverage

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues ¹					
Maritime	\$21,247	\$25,975	\$23,349	\$23,186	\$21,547
Real Estate & Asset Management	75,790	83,124	79,668	92,217	74,151
Interest Income ²	803	1,348	3,107	4,153	3,958
Other Revenue	2,695	5,254	6,752	5,807	7,908
Total Revenues	<u>\$100,535</u>	<u>\$115,701</u>	<u>\$112,876</u>	<u>\$125,363</u>	<u>\$107,564</u>
Operating Expenses ¹					
Operations & Maintenance ³	<u>\$66,964</u>	<u>\$76,502</u>	<u>\$84,992</u>	<u>\$86,449</u>	<u>\$93,031</u>
Total Operating Expenses	<u>\$66,964</u>	<u>\$76,502</u>	<u>\$84,992</u>	<u>\$86,449</u>	<u>\$93,031</u>
Net Revenues	\$33,571	\$39,199	\$27,884	\$38,914	\$14,533
Debt Service on Bonds ⁴	\$4,176	\$4,169	\$4,174	\$4,177	\$4,173
Net Revenue Coverage on Bonds ⁴ (times)	8.04	9.40	6.68	9.32	3.48
Debt Service on Subordinate Obligations ⁵	\$3,076	\$3,028	\$2,966	\$2,965	\$2,962
Net Revenue Coverage on Bonds and Subordinate Obligations ⁵ (times)	4.63	5.45	3.91	5.45	2.04

¹ Revenues and expenses were determined in accordance with the Master Bond Indenture dated February 1, 2010. For all years, the amounts were derived from financial reports which have been audited and adjusted for the elements discussed in footnotes 2 and 3. Amounts exclude operations of the Port's South Beach Harbor, which was acquired on April 30, 2019, and designated by the Port Commission as a Port special facility.

² Represents interest income earned on funds on deposit with the City Treasurer plus late charges from tenants.

³ Operations & Maintenance Expenses excludes non-cash expenses and credits associated with OPEB and pension obligations pursuant to the Bond Indenture. Also excludes non-cash charges and credits against operating expenses resulting from changes in estimated future costs for environmental remediation of the Pier 70 area. A summary breakdown of these adjustments is provided in the table titled "Historical Operations & Maintenance Expenses."

⁴ Represents debt service and Net Revenue coverage on the 2010 and 2014 Port revenue bonds. The 2010 bonds were refinanced in February of 2020 by the Series 2020 bonds included as a subject of this disclosure. Net revenue coverage for fiscal years ended 2015 - 2017 have been revised from previously published amounts, due to the exclusion from operating expenses of non-cash charges associated with changes in estimated future cost of environmental remediation of the Pier 70 area.

⁵ Includes the following subordinated obligations: (i) a loan from the California Department of Boating and Waterways for Hyde Street Harbor, and (ii) a Certificates of Participation obligation issued by the City on behalf of the Port. The Indenture does not require the Port to maintain any level of Net Revenue coverage on Subordinated Bonds or other subordinate obligations. Subordinated net revenue coverage for fiscal years ended 2015 - 2017 have been revised from previously published amounts due to the effect of the changes in environmental remediation cost estimates for the Pier 70 area.

Source: Port of San Francisco

V. Major Port Operating Revenues**PORT OF SAN FRANCISCO****Major Port Operating Revenues¹**

	Annualized Revenue ²		Square Footage ³	
	Amount	Percent	Amount	Percent
Real Estate:				
Industrial ⁴	\$ 25,124,138	28%	7,368,475	38%
Development	\$ 13,411,350	15%	4,211,405	22%
Restaurant & Retail	\$ 11,054,043	12%	581,811	3%
Parking	\$ 7,771,327	9%	479,660	2%
<u>Office</u>	<u>\$ 9,209,318</u>	<u>10%</u>	<u>434,616</u>	<u>2%</u>
Subtotal Real Estate	\$ 66,570,176	74%	13,075,967	67%
Maritime⁵				
Cargo	\$ 8,951,865	10%	4,688,813	24%
Commercial Fishing	\$ 2,726,733	3%	225,041	1%
Harbor Services	\$ 2,223,767	2%	374,270	2%
Passenger Cruise	\$ 5,921,587	7%	354,360	2%
Various Maritime	\$ 3,282,924	4%	768,345	4%
<u>Ship Repair⁶</u>	<u>\$ -</u>	<u>0%</u>	<u>645,000</u>	<u>3%</u>
Subtotal Maritime	\$ 23,106,876	26%	6,410,829	33%
Total	\$ 89,677,052	100%	19,486,795	100%

¹ Table includes revenues derived from tenancy and operating agreements, and as such reflect rent due per the lease terms, not necessarily rent paid. Not included are revenues from miscellaneous sources, or adjustments from the rent deferral and rent forgiveness programs offered to tenants during the COVID 19 pandemic which would impact rent due from March 2020 through the end of the reporting period included in this disclosure. The total operating revenue as shown in Table X for the fiscal year ending June 30, 2020 was \$103.1 million.

² Based on lease rents as of June 30, 2020 and Fiscal Year 2020 percentage rents in excess of base rent amounts.

³ Excludes portion of area in water.

⁴ Includes lease revenues and square footage from the Port's ferry excursion operators. These participation rent-based leases are managed by Real Estate, and the revenues from them are reported as Real Estate-related revenues on the Ports financial statements.

⁵ Including traditional user fees within the maritime industry, such as wharfage, dockage and demurrage. Excludes revenues generated from ferry excursion operators along with the associated areas leased as discussed in footnote 4 above.

⁶ On December 30, 2016 BAE System, Inc., the Ports longtime ship yard operator, sold all of the assets of and its interest in the shipyard at Pier 70, including the Port's lease, to Puglia Engineering. At the end of May 2017, Puglia abandoned the leasehold due to legal disputes with the former operator concerning the condition of the shipyard's facilities and equipment. Currently there are no ship repair operations occurring at the Pier 70 facility.

Source: Port of San Francisco

VI. Port of San Francisco Top Ten Tenants and Customers

PORT OF SAN FRANCISCO
Top Ten Port Tenants and Customers by Revenue
Fiscal Year ending June 30, 2020 (Revenue in Thousands)

	Customer/Tenant Name	Revenue ¹	Percent of Top 10 Revenue ²	Primary Use	Expiration
1	Alcatraz Cruises, LLC	\$4,454	13.73%	Excursions	6/30/2049 ³
2	SP Plus-Hyde Parking Joint Venture	\$4,016	12.38%	Parking	5/31/2022 ⁴
3	Seawall Lot 337 Associates, LLC	\$3,821	11.78%	Mission Rock Development Site	8/14/2049 ⁵
4	Recology San Francisco	\$3,675	11.33%	Industrial, Other	7/31/2023 ⁶
5	Pier 39 Limited Partnership	\$3,238	9.98%	Retail, Storage	12/31/2042 ⁷
6	China Basin Ballpark Company LLC	\$3,001	9.25%	Baseball Stadium	12/31/2063 ⁸
7	FC Pier 70, LLC	\$2,848	8.78%	Pier 70 Development Site	5/01/2043 ⁹
8	Princess Cruises	\$2,622	8.08%	Passenger Cruises	N/A ¹⁰
9	Trans Bay Cable LLC	\$2,400	7.40%	Utilities	11/21/2045
10	Pasha Automotive Services	\$2,367	7.30%	Automotive Cargo	6/30/2031 ¹¹
		\$32,442	100.00%		

¹ Table includes revenues derived from tenancy and operating agreements, and as such reflect rent due per the lease terms, not necessarily rent paid. Not included are adjustments from the rent deferral and rent forgiveness programs offered to tenants during the COVID 19 pandemic which would impact rent due from March 2020 through the end of the reporting period included in this disclosure.

² Operating revenue for the fiscal year ending June 30, 2020 was \$103.1 million as shown in Table X.

³ Alcatraz Cruises, LLC, a subsidiary of Hornblower Holdings, was set up specifically to operate the ferry concession that was awarded by the National Park Service for Alcatraz Island. This lease expires 6/30/2049. A related entity, Hornblower Yachts, Inc. operates out of Pier 3 for ferry and excursions and that lease expires 12/31/30.

⁴ Includes the operations of Port tenants Central Parking System, a wholly-owned subsidiary of SP Plus, and SP Plus-Hyde Parking Joint Venture, a California general partnership of which SP Plus is the controlling partner. SP Plus-Hyde Parking took over the operations of five parking sites under new leases which began 6/1/2017 with one expiration and another that expires on 5/31/2022. leases expire 5/31/2020.

⁵ Tenant has multiple leases for the development of Mission Rock. The primary lease's initial term for the development expires 12/31/2022. The long-term lease expires 08/14/2049.

⁶ Tenant has two leases. The primary lease expires 7/31/2023. The tenant's other lease is in holdover since 7/31/2019.

⁷ Tenant has multiple leases. The primary lease expires 12/31/2042. The tenant's other leases expire 8/31/2021

⁸ Tenant has multiple leases. The primary lease's initial term expires 12/31/2022. Eight extensions allowed, the first seven extensions for five years each, the last for six years, which ends 12/31/2063.

⁹ Tenant has two leases. Both are for the development of Seawall Lot 249. The primary lease expires 5/1/2043. The other lease expired 3/30/2019.

¹⁰ Princess Cruises does not lease property. Pacific Cruise Ship Terminals is the Port's stevedoring operator for its cruise facilities, and Princess Cruises is a passenger cruise line customer. The revenue represents fees paid to the Port based on cruise ship call duration and cruise passenger volume generated by Princess Cruises.

¹¹ Pasha Automotive Services is the Port's cargo terminal operator at Pier 80. The revenue represents fees paid to the Port based on cargo ship call duration and cargo volume generated by automotive import/export operations.

Source: Port of San Francisco

VII. Port of San Francisco Real Estate Leases, Remaining Lease Terms

PORT OF SAN FRANCISCO					
Real Estate Leases					
	Number of Leases ¹		Annualized Revenue ²		
Month-to-Month	243	55%	\$	18,939,111	28%
Remaining Term:					
Less than One Year	37	8%	\$	2,061,729	3%
One to Five Years	94	21%	\$	17,998,158	27%
Five to Ten Years	10	2%	\$	2,508,182	4%
Ten to Twenty Years	27	6%	\$	10,200,435	15%
Twenty to Thirty Years	16	4%	\$	11,600,310	17%
Over Thirty Years	17	4%	\$	3,262,250	5%
Total	444	100%	\$	66,570,176	100%

¹ Table includes Real Estate Leases only.

² Based on current minimum rents as of June 30, 2020 and FY 2020 Percentage Rents over base rent amounts. Table includes revenues derived from tenancy and operating agreements, and as such reflect rent due per the lease terms, not necessarily rent paid. Not included are adjustments from the rent deferral and rent forgiveness programs offered to tenants during the COVID 19 pandemic which would impact rent due from March 2020 through the end of the reporting period included in this disclosure.

Source: Port of San Francisco

VIII. Port of San Francisco Top Ten Real Estate Tenants and Customers

PORT OF SAN FRANCISCO					
Top Ten Port Real Estate Tenants and Customers by Revenue					
Fiscal Year ending June 30, 2020 (Revenue in Thousands)					
Customer/Tenant Name		Revenue ¹	Percent of Top 10 Revenue ²	Primary Use	Expiration
1	Alcatraz Cruises, LLC	\$4,454	14.03%	Excursions	6/30/2049 ³
2	SP Plus-Hyde Parking Joint Venture	\$4,016	12.65%	Parking	5/31/2022 ⁴
3	Seawall Lot 337 Associates, LLC	\$3,821	12.04%	Mission Rock Development Site	8/14/2049 ⁵
4	Recology San Francisco	\$3,675	11.58%	Industrial,Other	7/31/2023 ⁶
5	Pier 39 Limited Partnership	\$3,238	10.20%	Retail,Storage	12/31/2042 ⁷
6	China Basin Ballpark Company LLC	\$3,001	9.45%	Baseball Stadium	12/31/2063 ⁸
7	FC Pier 70, LLC	\$2,848	8.97%	Mixed Use	5/01/2043 ⁹
8	Trans Bay Cable LLC	\$2,400	7.56%	Utilities	11/21/2045
9	AMB Pier One, LLC	\$2,338	7.37%	Office	1/31/2051
10	Imperial Parking (U.S.), Inc	\$1,951	6.15%	Parking	11/30/2021
		\$31,743	100.00%		
¹ Table includes revenues derived from tenancy and operating agreements, and as such reflect rent due per the lease terms, not necessarily rent paid. Not included are adjustments from the rent deferral and rent forgiveness programs offered to tenants during the COVID 19 pandemic which would impact rent due from March 2020 through the end of the reporting period included in this disclosure.					
² Operating revenue for the fiscal year ending June 30, 2020 was \$103.1 million.					
³ Alcatraz Cruises, LLC, a subsidiary of Hornblower Holdings, was set up specifically to operate the ferry concession that was awarded by the National Park Service for Alcatraz Island. This lease expires 6/30/2049. A related entity, Hornblower Yachts, Inc. operates out of Pier 3 for ferry and excursions and that lease expires 12/31/30.					
⁴ Includes the operations of Port tenants Central Parking System, a wholly-owned subsidiary of SP Plus, and SP Plus-Hyde Parking Joint Venture, a California general partnership of which SP Plus is the controlling partner. SP Plus-Hyde Parking took over the operations of five parking sites under new leases which began 6/1/2017 with one expiration and another that expires on 5/31/2022. leases expire 5/31/2020.					
⁵ Tenant has multiple leases for the development of Mission Rock. The primary lease's initial term for the development expires 12/31/2022. The long-term lease expires 08/14/2049.					
⁶ Tenant has two leases. The primary lease expires 7/31/2023. The tenant's other lease is in holdover since 7/31/2019.					
⁷ Tenant has multiple leases. The primary lease expires 12/31/2042. The tenant's other leases expire 8/31/2021					
⁸ Tenant has multiple leases. The primary lease's initial term expires 12/31/2022. Eight extensions allowed, the first seven extensions for five years each, the last for six years, which ends 12/31/2063.					
⁹ Tenant has two leases. Both are for the development of Seawall Lot 249. The primary lease expires 5/1/2043. The other lease expired 3/30/2019.					
Source: Port of San Francisco					

IX. Port of San Francisco Historical Results of Operations

PORT OF SAN FRANCISCO Historical Results of Operations For Fiscal Year Ended June 30, (Amounts in Thousands)					
	Audited 2016	Audited 2017	Audited 2018	Unaudited¹ 2019	Audited 2020
Operating Revenues:					
Maritime					
Cargo	\$5,281	\$6,248	\$8,685	\$7,844	\$8,861
Ship Repair	2,543	1,398	0	0	0
Harbor Services	1,768	1,827	1,847	1,894	2,041
Cruise	7,663	7,406	7,901	7,947	5,227
Fishing	2,062	2,402	2,184	2,273	2,218
Other Marine	1,779	1,739	2,652	2,521	2,845
Miscellaneous ²	<u>151</u>	<u>4,955</u>	<u>80</u>	<u>707</u>	<u>355</u>
Total Maritime	\$21,247	\$25,975	\$23,349	\$23,186	\$21,547
Real Estate & Asset Management					
Commercial/Industrial	\$53,519	\$54,510	\$57,336	\$60,015	\$55,617
Parking	21,504	21,900	22,281	21,770	18,418
Filming & Special Event Revenue	252	240	49	103	114
Miscellaneous ²	<u>515</u>	<u>6,474</u>	<u>2</u>	<u>10,328</u>	<u>2</u>
Total Real Estate & Asset Management	\$75,790	\$83,124	\$79,668	\$92,216	\$74,151
Other Operating Revenues	\$2,696	\$4,254	\$6,752	\$5,760	\$7,450
Total Operating Revenues	\$99,733	\$113,353	\$109,769	\$121,162	\$103,148
Operating Expenses					
Operations & Maintenance ³	\$64,896	\$89,884	\$79,026	\$86,890	\$89,544
Depreciation & Amortization	<u>21,924</u>	<u>24,191</u>	<u>17,778</u>	<u>24,466</u>	<u>25,528</u>
Total Operating Expenses	\$86,820	\$114,075	\$96,804	\$111,356	\$115,072
Operating Income/(Loss)	\$12,913	(\$722)	\$12,965	\$9,806	(\$11,924)
Other Income & (Expenses)					
Interest & Investment Income	\$884	\$1,502	\$2,231	\$6,189	\$5,306
Interest Expense	(4,656)	(4,262)	(4,461)	(4,288)	(3,797)
Gain/(Loss) on Disposal of Assets	1,676	(56)	(1,383)	(174)	15
Other	<u>177</u>	<u>3,786</u>	<u>4,232</u>	<u>(3,169)</u>	<u>4,916</u>
Total Other Income/(Expense) Net	(\$1,919)	\$970	\$619	(\$1,442)	\$6,440
Net Income/(Loss) Before Capital Contribution	\$10,994	\$248	\$13,584	\$8,364	(\$5,484)
Capital Grants and Other Contributions	<u>\$24,081</u>	<u>\$1,822</u>	<u>\$2,626</u>	<u>\$1,909</u>	<u>\$43,895</u>
Change in Net Position	<u>\$35,075</u>	<u>\$2,070</u>	<u>\$16,210</u>	<u>\$10,273</u>	<u>\$38,411</u>
¹ Total Port operations in 2019, including the Port's South Beach Harbor special facility, were audited as a whole. SBH revenues are not included as security on the subject revenue bonds, and were therefore removed by Port staff to provide the unaudited results above. ² Miscellaneous Maritime revenues for 2017 largely represent a \$4.9 million from the settlement with BAE System's Inc., (the parent company of a former operator of the Pier 70 shipyard) of claims regarding the required repair and maintenance of the facility. For 2019 these revenues include \$700 thousand from the Port's share of net proceeds from the sale of San Francisco Bay Railroad to Republic Services. Miscellaneous Real Estate revenues for 2017 include \$6.0 million representing the Port's share of net proceeds from the sale by the developer of The Piers, a development project completed in 2006 at Piers 1½-5. For 2019 these revenues principally represent the Port's share of net proceeds from the sale of the Ferry Building leasehold to Hudson Properties. ³ In 2018 the Port implemented GASB Statement No. 75, a new standard that is intended to improve the accounting and financial reporting of OPEB obligations. GASB 75 supersedes GASB 45, an earlier accounting standard regarding the accounting of OPEB obligations. A summary breakdown of the non-cash adjustments associated with the accounting of pension obligations and OPEB for all years is shown in table titled "Historical Operations & Maintenance Expenses".					
Source: Port of San Francisco					

X. Port of San Francisco Historical Operations and Maintenance Expenses

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

	Audited	Audited	Audited	Unaudited ¹	Audited
	2016	2017	2018	2019	2020
Operations & Maintenance					
Personnel Expense ²	\$33,180	\$34,858	\$38,686	\$38,179	\$43,471
City-Wide Overhead	571	747	228	379	849
Other Current Expenses	3,666	4,364	5,491	4,726	6,135
Professional & Specialized Services ³	4,192	9,810	14,946	16,950	15,463
Utility Expenses	2,146	2,833	2,859	2,908	2,591
Materials & Supplies	1,468	1,853	1,001	1,331	1,589
Judgments, Claims & Litigation	(306)	154	(663)	30	1
Office Rent	2,832	2,723	2,614	2,736	2,748
Charges for Use of City Services	19,124	19,009	19,310	18,666	19,803
Other Operating & Maint. Exp. (net)	91	151	520	544	381
Operations & Maint. Exp. - Subtotal	\$66,964	\$76,502	\$84,992	\$86,449	\$93,031
Non-cash adjustments for:					
(i) pensions pursuant to GASB 68	(3,887)	10,920	993	(667)	(2,392)
(ii) estimated cost for pollution remediation for the Pier 70 area.	266	242	(8,211)	1,105	(1,207)
(iii) Other Post Employment Benefits (OPEB)	1,553	2,220	1,252	3	112
Total Operations & Maintenance Exp.	\$64,896	\$89,884	\$79,026	\$86,890	\$89,544

¹ Total Port operations in 2019, including the Port's South Beach Harbor special facility, were audited as a whole. SBH revenues are not included as security on the subject revenue bonds, and were therefore removed by Port staff to provide the unaudited results above.

² The reported expenses excludes charges and credits associated with non-cash adjustments related to accounting and reporting of OPEB and pension obligations.

³ The credits for "judgements, claims and litigation" reported for fiscal years ended June 30, 2015, 2016 and 2018 reflect large reductions in the reserve of claims and litigation taken for those years, based on estimates of then current and potential future claims.

⁴ In 2018 the Port implemented GASB Statement No. 75, a new standard that is intended to improve the accounting and financial reporting of post-employment benefits other than pensions (OPEB) obligations by, among other things, requiring a fuller and more timely recognition of such obligations. GASB 75 supersedes GASB 45, an earlier accounting standard regarding the accounting of OPEB obligations.

Source: Port of San Francisco

XI. Audited Financial Statements of the Port Enterprise, City and County of San Francisco for the Fiscal Year Ended June 30, 2020.

For the Port's Audited Financial Statements for fiscal year ended June 30, 2020, please go to the link titled "2020 Audited Financial Statements" located in the Finance & Administration section of the Port's website at www.sfport.com.

XII. Significant Events-

From March 10, 2017 (the date of issuance of the June 30, 2016 Annual Report) through the issuance date of this Annual Report, no "Significant Event" or "Listed Event" has occurred as enumerated in Section 5 of the Continuing Disclosure Certificates dated February 3, 2010 and May 29, 2014, respectively.

XIII. Other Matters

Refunding Bonds

The Port issued Refunding Revenue Bonds Series 2020A and 2020B in a combined principal amount of \$23,780,000 in February of 2020. The Series 2020 Bonds were issued to provide funds to: (i) refund all of the outstanding Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010A and Series 2010B, which is subject to this disclosure and (ii) pay certain costs of issuing the Series 2020 Bonds.

Transfer of South Beach Harbor

On May 1, 2019, the Port received the South Beach Harbor (SBH) operations from the Office of Community Investment and Infrastructure (OCII), successor agency to the Redevelopment Agency, along with the related assets and liabilities. The receipt of SBH resulted in a Special Item increasing the Port's change in net position in FY 2019 by \$18,340,000. The transfer of South Beach Harbor included three loans funded by the California Division of Boating and Waterways (Cal Boating), which totaled \$6,144,000 and accrue interest at a rate of 4.5% per annum. Under the terms of the Port's loan contract, Cal Boating may take possession of SBH if after ninety days written notice, the Port remains in breach of any of the provisions of 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. For more information, see Notes 8 and Note 13 of the Port's audited financial statements for fiscal year ending June 30, 2020.

Special Facilities

In conjunction with the receipt of SBH, the Port designated SBH as a Special Facility and its Cal Boating loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture (Master Indenture). Pursuant to Section 2.14 of the 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 Trust Indenture, and; consequently, is not included in the Net Revenues pledged as security for the Revenue Bonds under the Master Indenture.

In September 2019, the Port executed documents, pursuant to Section 2.14 of the Port's 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 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.

Community Facilities Districts and Infrastructure Financing Districts

Since 2005 the Port has pursued state and local legislative changes to increase the options available to fund the Port's deferred maintenance and other capital requirements, and to expand the range and profitability of uses on Port property. Through this effort, the Port has acquired the authority to use infrastructure financing districts to capture property tax growth to fund public improvements along the San Francisco waterfront. In 2005 the state approved

Senate Bill No. 1085 which authorized the Board of Supervisors (Board) to form an infrastructure financing district (IFD) covering Port property.

In 2012 the Board authorized the formation of Infrastructure Finance District No. 2 consisting of the entire waterfront area under Port jurisdiction and designated eight initial proposed project areas within this IFD.

The first of these project areas was established by the Board in 2016 for the rehabilitation of several historic properties located along 20th Street in the Pier 70 area known as the “Orton” site. The project, which is being developed by an affiliate of Orton Development, is fully leased. Tenants have moved into all but one of those buildings and the final building is planned for opening to the public in 2021.

The Board has also established project areas for the property located within the Pier 70 area known as the “Waterfront” site, and for the Seawall Lot 337 and Pier 48 properties known as the “Mission Rock” site.

Brookfield Properties (formerly Forest City), developer of the Waterfront site, commenced site preparation and demolition in August 2018 and construction of horizontal improvements in March 2019 for the first of three phases. Phase I infrastructure, aside from parks, is nearly complete. Brookfield will time construction of parks to coincide with the delivery of adjacent vertical development. As to vertical development, Brookfield is currently rehabilitating historic Building 12. The Port and Brookfield are working to lease or sell the five remaining Phase 1 development sites.

Seawall Lot 337 Associates (an affiliate of the San Francisco Giants and Tishman Speyer), the developer of the Mission Rock site, broke ground on Phase 1 of the project in 2020, including work on horizontal, backbone infrastructure and work on two of the four parcels in Phase 1. The developer intends to start vertical construction on the second two Phase 1 buildings in summer 2021.

In late 2019 and early 2020, the Board established a Mello-Roos Community Facilities Districts (CFDs) at both the, Mission Rock and Pier 70 Waterfront sites. These CFDs, in conjunction with the IFDs discussed above, provide the security for the Mission Rock CFD bond issuances anticipated to be sold in 2021. The Board approved an initial bond issuance of no more than \$43.5 million for Mission Rock in December 2020, and is planned for issuance in April 2021. A second Mission Rock CFD bond issuance is being considered by the Port Commission and may also occur in 2021. The debt, when issued, will be an obligation of the relevant CFD, secured by the special tax revenues generated within the district. This debt will not be secured by, or repayable from, Port harbor fund revenues, in accordance with the Port’s Municipal Debt Policy.

Waterfront Resilience

The San Francisco Bay Area is seismically active and faces risk of a significant earthquake within the next 30 years. Such an event would have a major impact on the Port’s facilities and infrastructure, including its Embarcadero Seawall, a three-mile retaining wall that runs from Fisherman’s Wharf in the north to Mission Creek in the south. The Embarcadero Seawall (“Seawall”) was constructed in sections over a period of 40 years beginning in 1878. No section of the Seawall, or the filled land behind the Seawall, was designed to withstand soil liquefaction. In a major seismic event, if liquefaction occurs, specific Seawall sections could move vertically downward and/or laterally outward, causing major damage to the Embarcadero Roadway and Promenade and utilities and regional infrastructure, and cause localized failures of wharves and the bulkhead buildings at the heads of piers.

In 2014 the Port initiated an earthquake vulnerability study to better understand how the Seawall would perform in an earthquake, predict damage, and develop a plan to improve its performance. The study, which was published in July 2016, determined that the Seawall requires significant improvements to withstand a major earthquake and to mitigate flood risk from sea level rise.

In November 2018, San Francisco voters approved Proposition A, authorizing the City to issue up to \$425 million in General Obligation Bonds to fund repairs and improvements to the Embarcadero Seawall.

In September 2018, the U.S. Army Corps of Engineers (USACE) and the Port of San Francisco signed an agreement to advance the USACE/Port of San Francisco Flood Resiliency Study which includes the area from Aquatic Park to Heron's Head Park. In recognition of the need to address both seismic and flood risk, the Port of San Francisco has created the Waterfront Resilience Program and is advancing assessments, policies, plans and projects to reduce these risks as efficiently and effectively as possible. The rough estimated cost to reduce these risks is over \$5 billion in 2017 dollars, with less than \$1 billion of such amount secured to date.

Ten-Year Capital Plan and Five-Year Capital Improvement Plan

Every two years the Port prepares a comprehensive ten-year capital plan to identify the major maintenance and capital improvement needs of the Port's facilities, prioritize capital projects, and identify potential funding sources. Capital improvements are classified in the plan as either: (i) needed to maintain the Port's facilities in a state of good repair; or (ii) a planned enhancement to Port facilities. Enhancements include potential seismic improvements which are required where a change in use or a major rehabilitation is taking place, consistent with City building code requirements.

The most recent update to the plan, adopted by the Port Commission on February 23, 2021, identifies \$1.99 billion in total capital need and \$1.93 billion in planned capital enhancements for a total of \$3.925 billion. Shown below, for comparison purposes, are capital improvement totals from the 2019 update:

millions of \$		
<u>Type of Improvement</u>	<u>2019 Update</u>	<u>2021 Update</u>
Needed to maintain a state of good repair	\$1,677.5	\$1,994.0
Planned enhancements		
Seawall Program	\$484.1	\$592.9
Conditional seismic work	584.2	605.0
<u>Other enhancements</u>	<u>786.4</u>	<u>733.1</u>
Enhancements - Subtotal	\$1,854.7	\$1,931.0
Total	\$3,532.2	\$3,925.0

The Port's \$1.99 billion state of good repair need consists of deferred maintenance and subsystem renewal projects required to ensure Port facilities are able to remain in continuous operation with standard, reasonable maintenance costs.

The 2021 capital plan update reflects a \$393 million increase in the funding needed to maintain the Port's facilities in a state of good repair. This increase is primarily due to improved estimates of repairs to selected facilities, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the ten-year window.

Planned enhancements totaling \$1.93 billion include seismic upgrades, new parks along the waterfront, new infrastructure, new developments in the Northeast, Central and Southern Waterfronts, and improvements to the Embarcadero Seawall and maritime facilities.

The latest update projects that \$1.74 billion in funding will be available over the next ten years to address the Port's capital needs, including enhancements and seismic work. Of this amount, \$340.0 million is expected to be derived from internally generated funds consisting of Port capital and Port tenant obligations. The remaining \$1.4 billion represents externally generated funding consisting of: (i) development project funding; (ii) City and County of San Francisco general obligation bonds; and (iii) local, state and federal grants. No funding has been identified for the remaining

\$2.185 billion in state of good repair and enhancement projects at this time. The Port continues to work to identify additional sources of funds for the unfunded portion of its ten-year capital plan.

In order to assist Port management with project prioritization, and determining future capital funding needs, in May 2018 the Port developed its first ever five-year Capital Improvement Plan (CIP). The CIP covers fiscal years 2018-19 through 2022-23. The CIP serves as a bridge between the Port's ten-year Capital Plan and its two-year Capital Budget, which appropriates funding for specific capital projects. The CIP programs specific projects according to the amount of capital funding that Port staff estimates will be available over the next five years. The CIP allows staff to consider the time frame necessary to conceive, design and deliver capital projects. The CIP also allows staff more time to identify and secure grant and other third-party funding for those projects that may be eligible for such funding. Port staff will next update the CIP the fall of 2021.

More details can be found in the complete 2021 update to the Port's ten-year capital plan and the five-year capital improvement plan, both of which are located on the Finance & Administration page of the Port's website at www.sfport.com.

COVID-19 Impacts

Please see the Port's Voluntary Statement Regarding Impacts of COVID-19, filed August 6, 2020. That filing included forward looking statements regarding the debt service coverage obligations of the indenture, which require the Port to maintain debt service coverage ratios of (a) at least 1.3 (including contributions from a revenue stabilization fund), and (b) 1.0 when excluding such contributions. As further described in the filing, the Port expects to meet all future debt service obligations, but doing so will require substantial contributions from its fund balance (or revenue stabilization fund) and therefore the Port expects it will not achieve 1.0 coverage when excluding fund balance contributions.

In addition to the coverage implications discussed above, the Port implemented rent deferral and rent forgiveness programs to provide support to Port tenants enduring financial difficulties caused by COVID-19 (see www.sfport.com/covidrelief for more detail). The impact of these programs reduced revenues from March 2020 through the end of the reporting period included in this disclosure.

The following information is provided for informational purposes only. The Port makes no representation that such information is material to Port bondholders. The Port does not undertake to update such information in the future.

Beginning December 15, 2020, the City began administering the first vaccines to frontline healthcare workers. On February 24, 2021, the City moved to Phase 1B, Tier 1 of the State's population prioritization plan and began vaccinating people who work in education and childcare, emergency services, and the food and agriculture sectors, while continuing to vaccinate healthcare workers and people age 65 and older. As of March 3, 2021, more than 20% of San Francisco's population has received the first dose of vaccine, as have almost 65% of the City's residents over 65 years. Between January 22, 2021 and February 16, 2021, the City launched three high-volume vaccination sites at Moscone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San Francisco's network of vaccination sites to facilitate the quick and efficient delivery of COVID-19 vaccines.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the Port's operations and finances and the economy, real estate market and development along the waterfront is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known.

Miscellaneous

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

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

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

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

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

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

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

Port Commission of the
 City and County of San Francisco

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Katharine E. Petrucione
 Deputy Director, Finance and Administration