

File No. 191185

Committee Item No. 7

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 15, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- Port Commission Resolution
- Indenture of Trust
- Preliminary Office Statement
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Completed by: Linda Wong

Date January 10, 2020

Completed by: Linda Wong

Date _____

1 [Port Commission Revenue Bonds - Not to Exceed \$27,000,000]

2
3 **Resolution authorizing the issuance of Port Commission of the City and County of San**
4 **Francisco Refunding Revenue Bonds, Series 2020, in an aggregate principal amount**
5 **not to exceed \$27,000,000 to refund outstanding Series 2010A and Series 2010B**
6 **revenue bonds of the Port; approving the form of a third supplement to the indenture of**
7 **trust; approving the form of a Bond Purchase Contract relating to the Refunding**
8 **Bonds; approving the form of an Official Statement in preliminary and final form**
9 **relating to the Refunding Bonds; approving the forms of Escrow Agreements;**
10 **approving the form of a Continuing Disclosure Certificate; granting general authority to**
11 **City officials to take necessary actions in connection with the authorization, sale,**
12 **execution and delivery of the Bonds; approving modifications to documents relating**
13 **thereto; and approving other related matters, as defined herein.**

14
15 WHEREAS, Pursuant to Section 9.107(4) of the Charter ("Charter") of the City and
16 County of San Francisco ("City") and Chapter 43, Article XII of the San Francisco
17 Administrative Code (the "Administrative Code") the Port Commission of the City ("Port
18 Commission") is authorized, subject to the approval of the Board of Supervisors of the City
19 ("Board"), to issue revenue bonds for any Port-related purpose and secured solely by Port
20 revenues; and

21 WHEREAS, The Port Commission previously issued its City and County of San
22 Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) ("Series 2010A Bonds")
23 and its City and County of San Francisco Revenue Bonds, Series 2010B (Taxable) (the
24 "Series 2010B Bonds" and, collectively with the Series 2010A Bonds, the "Series 2010
25

1 Bonds”) for the purpose of financing the costs of acquiring, constructing, improving and
2 developing facilities under the jurisdiction of the Port; and

3 WHEREAS, The Series 2010 Bonds were issued pursuant to an Indenture of Trust
4 (“Master Indenture”), as supplemented by a First Supplement to Indenture of Trust, each
5 dated as of February 1, 2010, between the Port Commission and U.S. Bank National
6 Association, as successor trustee (“Trustee”); and

7 WHEREAS, Pursuant to Resolution No. 19-42, adopted by the Port Commission on
8 October 22, 2019 (“Port Resolution”), the Port Commission authorized the issuance of up to
9 \$27,000,000 aggregate principal amount of its Port Commission of the City and
10 County of San Francisco Refunding Revenue Bonds, Series 2020 (“Refunding Bonds”), to
11 refund the Series 2010 Bonds, and approved the forms of various documents relating to the
12 issuance, sale and delivery of the Bonds (collectively, the “Financing Documents,” as further
13 defined in Section 8 below); and

14 WHEREAS, The provisions of the Port Resolution and the Financing Documents do not
15 conflict with the requirements of the Charter or the Administrative Code; now, therefore, be it

16 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
17 follows:

18 Section 1. Recitals. All of the recitals herein are true and correct.

19 Section 2. Approval and Authorization of Revenue Bonds. The issuance by the Port
20 Commission of the Refunding Bonds to (i) refund the Series 2010 Bonds, (ii) fund a debt
21 service reserve fund for the Refunding Bonds, if necessary, as well as (iii) pay costs of
22 issuance and other incidental costs, is hereby approved. The total principal amount of the
23 Refunding Bonds shall not exceed \$27,000,000. The Refunding Bonds shall be issued
24 pursuant to the terms of the Financing Documents as each shall be approved as to form by
25

1 the City Attorney, which approval shall be conclusively evidenced by the signature of the City
2 Attorney on each such agreement.

3 Section 3. Approval of the Indenture and Authorization of Selection of the Trustee. The
4 form of a third supplement to indenture of trust ("Third Supplement to Indenture") between the
5 Port and U.S. Bank National Association, as trustee, a copy of which is on file with the Clerk
6 of the Board under File No. 191185, is hereby approved, with such changes, additions, and
7 modifications as the Executive Director of the Port ("Executive Director") or designee thereof
8 may make or approve in accordance with Section 8 hereof.

9 Section 4. Approval of Bond Purchase Contract Relating to the Refunding Bonds. The
10 form of a purchase contract and relating to the Refunding Bonds ("Bond Purchase Contract"),
11 a copy of which is on file with the Clerk of the Board under File No. 191185, is hereby
12 approved, with such changes, additions, and modifications as the Executive Director may
13 make or approve in accordance with Section 8 hereof.

14 Section 5. Approval of the Official Statement in Preliminary and Final Form. The form of
15 an official statement relating to the Refunding Bonds ("Official Statement"), a copy of which is
16 on file in preliminary form with the Clerk of the Board under File No. 191185, is hereby
17 approved, with such changes, additions, and modifications as the Executive Director may
18 make or approve in accordance with Section 8 hereof.

19 Section 6. Approval of the Escrow Agreement. The forms of Escrow Agreements
20 ("Escrow Agreements") between the Port and U.S. Bank National Association, as trustee and
21 escrow agent, copies of which are on file with the Clerk of the Board under File No. 191185,
22 are hereby approved, with such changes, additions, and modifications as the Executive
23 Director may make or approve in accordance with Section 8 hereof.

24 Section 7. Approval of the Continuing Disclosure Certificate. The form of a Continuing
25 Disclosure Certificate, a copy of which is on file with the Clerk of the Board under File

1 No. 191185, is hereby approved, with such changes, additions, and modifications as the
2 Executive Director may make or approve in accordance with Section 8 hereof.

3 Section 8. Modifications, Changes and Additions; Additional Agreements. The
4 approvals contained herein shall extend to any amendments to the Third Supplement to
5 Indenture, the Bond Purchase Contract, the Official Statement, the Escrow Agreements, the
6 Continuing Disclosure Certificate (collectively, the "Financing Documents") and all
7 agreements of the Port Commission supplemental thereto, as well as to such additional
8 agreements as the Port Commission may approve for the purpose of implementing the
9 issuance, sale and delivery of the Refunding Bonds. The Executive Director's approval of
10 such modifications, changes or additions, made upon consultation with the City Attorney, shall
11 be conclusively evidenced by the execution and delivery by the Executive Director of the
12 Financing Documents and any such additional agreements.

13 Section 9. General Authority. The Executive Director, the Director of the Office of
14 Public Finance ("Director"), the City Attorney, and all other appropriate officers, employees,
15 representatives and agents of the City are hereby authorized and directed to do everything
16 necessary or desirable to provide for the issuance of the Bonds, including but not limited to,
17 executing any and all certificates, requisitions, agreements, notices, consents, and other
18 documents which they or any of them might deem necessary or appropriate in order to
19 consummate the lawful issuance, sale and delivery of the Refunding Bonds and otherwise to
20 give effect to this Resolution. Any such actions are solely intended to further the purposes of
21 this Resolution and are subject in all respects to the terms of this Resolution. No such actions
22 shall increase the risk to the City or require the City to spend any resources not otherwise
23 granted herein. Final versions of any such documents shall be provided to the Clerk of the
24 Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as
25 final documents are available) of execution by all parties.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____

MARK D. BLAKE
Deputy City Attorney

n:\legana\as2019\2000212\01407176.docx

Items 6 and 7
Files 19-1178 & 19-1185

Department:
Port Commission (Port)

EXECUTIVE SUMMARY

Legislative Objectives

- File 19-1185 is a resolution authorizing the Port of San Francisco (Port) to issue up to \$27,000,000 in 2020 refunding revenue bonds to refund outstanding Series 2010A and 2010B Port revenue bonds. File 19-1178 is an ordinance (a) appropriating \$29,978,864 from a combination of 2020 refunding revenue bond proceeds and Series 2010 revenue bond debt service reserve fund, and de-appropriating \$1,920,024 from the scheduled March 1, 2020 debt service payment on the Series 2010 Port revenue bonds, totaling \$31,898,888; and (b) re-appropriating \$31,898,888 to repay the 2010 Port revenue bonds.

Key Points

- In November 2009, the Board of Supervisors approved the issuance of up to \$45,000,000 in Port revenue bonds and the appropriation of \$33,395,571 in bond proceeds to partially finance seven Port repair and renovation projects, including the James R. Herman Cruise Terminal at Pier 27. The Port issued \$36,650,000 in bonds under this authorization.
- Port staff and financial advisors have determined that the Port may achieve significant debt service savings by refinancing the 2010 revenue bonds on March 1, 2020. In October 2019, the Port Commission approved the issuance of \$27,000,000 in new revenue bonds to refinance the remaining balance of the 2010 revenue bonds.
- The anticipated bond proceeds of \$27,131,937 exceed the authorized par amount of \$27,000,000 in the proposed resolution. This is because the 2020 refunding revenue bonds may be structured as premium bonds, in which investors would be willing to pay more than the bonds' face value. The premium payment may be accepted without violating the authorization granted in the proposed resolution.

Fiscal Impact

- Based on current bond market conditions, the revenue bond refinancing authorized by the proposed resolutions is estimated to result in approximately \$11.7 million in debt service savings over the 20-year period from March 2020 through March 2040. Using an estimated discount rate of 2.71 percent, the Port would have an estimated total net present value savings of approximately \$9.4 million.
- The proposed appropriation includes \$30,849,669 to repay the 2010 bonds, \$306,041 for the costs of issuance for the new bonds, \$117,710 for the underwriter's discount, and \$625,468 as a reserve for market uncertainty. The \$2,846,927 debt service reserve fund included with the 2010 bonds can be used to partially repay the bonds.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT

City Charter Section 9.107(4) and City Administrative Code Section 43.12.5(a) state that each revenue bond issuance by the Port Commission for any Port-related purpose is subject to Board of Supervisors approval.

BACKGROUND

In November 2009, the Board of Supervisors approved the issuance of up to \$45,000,000 in Port of San Francisco (Port) revenue bonds (File 09-1273, Resolution 469-09) and the appropriation of \$33,395,571 in bond proceeds to partially finance seven Port repair and renovation projects, including the James R. Herman Cruise Terminal at Pier 27 (File 09-1274, Ordinance 257-09). In February 2010, the Port issued approximately \$36.7 million in revenue bonds under this authorization. The 2010 revenue bonds were structured to allow the Port Commission to redeem any or all of the remaining outstanding bonds at any time on or after March 1, 2020.

Port staff and financial advisors have determined that the Port may achieve significant debt service savings by refinancing the 2010 revenue bonds on March 1, 2020. Port staff estimates that the refinancing would save approximately \$11.7 million over the remaining life of the bonds, or \$9.4 million in net present value savings, based on the Port's current market conditions and the Port's current credit rating¹. On October 22, 2019, the Port Commission approved the issuance of up to \$27 million in new 2020 Port revenue bonds to refinance the remaining balance of the 2010 Port revenue bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 19-1185) and ordinance (File 19-1178) would:

1. Authorize the Port to issue up to \$27,000,000 in 2020 refunding revenue bonds (File 19-1185); and
2. (a) Appropriate \$29,978,864 from a combination of 2020 bond proceeds and the 2010 bond's debt service reserve fund; (b) de-appropriate \$1,920,024 from the scheduled March 1, 2020 debt service payment on the 2010 Port revenue bonds; and (c) re-appropriate \$31,898,888 to repay the 2010 revenue bonds. (File 19-1178)

The 2020 bonds would be issued in two series: Series 2020A, a tax-exempt issue with an estimated \$14.0 million of proceeds; and Series 2020B, a taxable issue, with an estimated \$13.1 million. The total 2020 bond proceeds are estimated to be \$27.1 million.² The bonds would be fully repaid by 2040, which is the same repayment timeline as the outstanding 2010 bonds.

¹ The Port is currently rated A by Fitch and Standard & Poor's and A1 by Moody's. In conjunction with the refinancing, the rating analysts will affirm or change the current ratings in January 2020, closer to the time of the sale of bonds.

² The Series 2020A tax-exempt bonds will refund revenue bonds originally issued for the Pier 27 Cruise Ship Terminal, Crane Cove Park, Piers 19/23 planning and roof replacement, Pier 35 superstructure and substructure

The 2010 revenue bonds included a debt service reserve fund of \$2,846,927. According to Ms. Katharine Petrucione, Port Deputy Director of Finance and Administration, the reserve fund was required due to market conditions at that time, to repay bondholders in the event the Port defaults on its debt. According to Ms. Petrucione, due to changes in market conditions, a reserve fund will likely not be needed for the new 2020 revenue bonds. The balance of \$2,846,927 may be used to partially repay the 2010 bonds.

Bond Issuance Amount

The anticipated receipt of bond proceeds of \$27,131,937 exceeds the Board authorized issuance amount of \$27,000,000 in the proposed resolution (File 19-1185). According to Ms. Anna Van Degna, Director of the Controller's Office of Public Finance, this is because the 2020 bonds may be structured as premium bonds, in which investors would be willing to pay more than the face value of the bonds. With premium bonds, investors receive a higher interest rate in exchange for paying a premium at issuance. According to Mr. Mark Blake, Deputy City Attorney, the premium payment in excess of \$27,000,000 may be accepted without violating the authorization granted in the proposed resolution. Mr. Blake has conferred with the City's bond counsel and they agree with the conclusion on this point.

FISCAL IMPACT

The revenue bond refinancing authorized by the proposed resolution and ordinance would result in an estimated \$11.7 million of debt service savings over the 20-year period from March 2020 through March 2040. Using an estimated annual discount rate of 2.71 percent, the Port would have total savings of approximately \$9.4 million in net present value. According to Ms. Petrucione, based on current market conditions the 2020 bonds would have an estimated coupon rate of 4.27 percent, lower than the 5.75 percent coupon rate of the 2010 bonds. Annual estimated debt service payments and savings are shown in Table 1 below.

repairs and bathroom renovation, Pier 50 entryways, CEQA review, and bond issuance costs. The Series 2020B taxable bonds will refund revenue bonds originally issued for the Pier 27 Cruise Ship Terminal, Pier 19/23 planning and roof replacement, Crane Cove Park, Pier 33.5 bulkhead improvements, Pier 50 entryways, Pier 94 backlands leasing improvements, Piers 30/32 repairs and improvements, Piers 29.5/31 building and roof improvements, CEQA review, and bond issuance costs. According to Ms. Petrucione, the Port's bond counsel determined that bonds issued for the aforementioned projects were taxable because they included private use.

Table 1: Port Debt Service Payments and Savings

Year ³	Current Prior Debt Service Payment	Estimated New Debt Service Payment	Estimated Gross Savings	Estimated Net Present Value Savings
2021	\$2,844,342	\$2,099,474	\$744,868	\$729,017
2022	2,845,482	2,070,544	774,938	738,486
2023	2,846,370	2,069,838	776,532	720,064
2024	2,841,658	2,062,149	779,509	703,318
2025	2,846,345	2,067,558	778,787	683,704
2026	2,844,381	2,066,125	778,256	664,769
2027	2,844,743	2,067,477	777,266	645,920
2028	2,841,956	2,066,965	774,991	626,533
2029	2,845,649	2,068,865	776,784	610,879
2030	2,844,713	2,068,641	776,071	593,663
2031	1,853,775	1,456,250	397,525	296,181
2032	1,851,119	1,451,500	399,619	289,776
2033	1,850,644	1,449,750	400,894	282,922
2034	1,852,094	1,455,750	396,344	272,232
2035	1,855,213	1,459,000	396,213	264,855
2036	1,854,744	1,454,500	400,244	260,378
2037	1,850,688	1,452,500	398,188	252,098
2038	1,853,044	1,452,750	400,294	246,633
2039	1,851,300	1,450,000	401,300	240,617
2040	1,855,456	1,454,250	401,206	234,101
Total	\$46,973,715	\$35,243,887	\$11,729,827	\$9,353,426

**Totals may not add due to rounding*

According to Ms. Petrucione, the Port Harbor Fund is used for debt service payments and would therefore achieve savings through the bond refinance. The savings would likely be used for capital improvements of the Port.

The estimated sources and uses of the proposed bond refinance are shown in Table 2 below.

Table 2: Estimated Sources and Uses of Proposed Bond Refinance

Estimated Sources	Amount
2020 Revenue Bond Proceeds	\$27,131,937
2010 Revenue Bond Debt Service Reserve Fund	2,846,927
2010 Revenue Bond Debt Service Payment	1,920,024
Total Estimated Sources	\$31,898,888
Estimated Uses	Amount
2010 Revenue Bond Repayment ⁴	\$30,849,669
2020 Revenue Bond Cost of Issuance	306,041
Underwriter's Discount	117,710
Reserve for Market Uncertainty	625,468
Total Estimated Uses	\$31,898,888

³ Debt service payments are due March 1st of each year.

⁴ The estimated repayment of \$30,849,669 includes the outstanding 2010 bonds principal of \$29,865,000 and an interest payment of \$984,669.

According to Ms. Petrucione, the \$625,468 reserve for market uncertainty is included in the appropriation as a cushion in case the interest rates are higher than anticipated, or in case the bond proceeds amount is less than anticipated.

RECOMMENDATION

Approve the proposed resolution and ordinance.

**THIRD SUPPLEMENT TO
INDENTURE OF TRUST**

by and between the

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

and

**U.S. BANK NATIONAL ASSOCIATION,
as trustee**

Dated as of February 1, 2020

\$ _____
**PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS,
SERIES 2020A (NON-AMT TAX-EXEMPT)**

and

\$ _____
**PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS,
SERIES 2020B (FEDERALLY TAXABLE)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
DEFINITIONS	
Section 1.01. Definitions.....	2
ARTICLE II	
TERMS OF SERIES 2020 BONDS	
Section 2.01. Authorization and Purpose of Series 2020 Bonds.....	5
Section 2.02. Terms of the Series 2020 Bonds.....	5
Section 2.03. Forms of Series 2014 Bonds	9
Section 2.04. Application of Proceeds of Sale of the Series 2020A Bonds; Establishment of Series 2020A Project Costs Fund and Series 2020A Delivery Costs Fund	9
Section 2.05. Application of Proceeds of Sale of the Series 2020B Bonds; Establishment of Series 2020B Project Costs Fund and Series 2020B Delivery Costs Fund	10
Section 2.06. Book-Entry Provisions	11
ARTICLE III	
SERIES 2020 INTEREST AND PRINCIPAL ACCOUNTS; SERIES 2020A REBATE FUND; EARNINGS ON DEBT SERVICE FUND AND RESERVE FUND	
Section 3.01. Series 2020 Interest and Principal Accounts.....	12
Section 3.02. Reserved	13
Section 3.03. Rebate Fund.....	13
ARTICLE IV	
COVENANTS RELATING TO THE 2020 BONDS	
Section 4.01. Continuing Disclosure.....	15
Section 4.02. Tax Covenants	15
ARTICLE V	
MISCELLANEOUS	
Section 5.02. Effective Date of Second Supplemental Indenture.....	18
Section 5.03. Existing Indenture to Remain in Effect	18
Section 5.04. Execution in Counterparts.....	18
 EXHIBIT A: FORMS OF SERIES 2020 BONDS	

THIRD SUPPLEMENT TO INDENTURE OF TRUST

This THIRD SUPPLEMENT TO INDENTURE OF TRUST, dated as of February 1, 2020 (the "**Third Supplemental Indenture**"), is by and between the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (the "**Commission**"), duly constituted and established under Sections 4.100 et seq. of the Charter of the City and County of San Francisco, and U.S. BANK NATIONAL ASSOCIATION, a national trust company duly organized under the laws of the United States of America, as successor trustee to Deutsche Bank National Trust Company (the "**Trustee**");

WITNESSETH:

WHEREAS, the Commission has entered into an agreement dated as of January 24, 1969 (the "**State Agreement**") pursuant to which the State of California (the "**State**") has transferred ownership of the Port of San Francisco to the City and County of San Francisco (the "**City**"); and

WHEREAS, under Section 4.114 of the Charter of the City and County of San Francisco (the "**Charter**"), the Commission has under its management, supervision, operation and control all real and personal property transferred under State of California Statutes 1968, Chapter 1333, and of all other properties wherever situated as it may acquire or which may be placed under its management, supervision or control (the "**Port Area**"); and

WHEREAS, under Section 9.107 of the Charter and Ordinance No. 258-09, adopted by the Board of Supervisors of the City on December 8, 2009 and signed by Mayor Gavin Newsom on December 18, 2009, and codified as Chapter 43, Article XII of the San Francisco Administrative Code, the Commission has the authority to issue port revenue bonds for the purpose of acquiring, constructing, improving or developing ports or port facilities under its jurisdiction and port revenue bonds under such terms and conditions as the Commission may authorize by resolution; and

WHEREAS, the Commission has authorized and issued the Series 2020 Bonds pursuant to Resolution No. _____ of the Commission, adopted on October 7, 2019 (the "**Port Commission Resolution**") and the Board of Supervisors of the City has approved the Series 2020 Bonds pursuant to Resolution No. _____, adopted on December 17, 2019 and signed by Mayor London Breed on _____, 2019 (the "**City Resolution**"); and

WHEREAS, the Commission previously entered into an Indenture of Trust, dated as of February 1, 2010 (the "**Master Indenture**"), by and between the Commission and the Trustee, which provides for the security and issuance of one or more series of port revenue bonds (the "**Bonds**"); and

WHEREAS, the Commission previously entered into a First Supplement to Indenture of Trust, dated as of February 1, 2010 (the "**First Supplemental Indenture**") in order to provide for the issuance of two series of Bonds designated as "Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)" (the "**Series 2010A Bonds**") and "Revenue Bonds, Series 2010B (Taxable)" (the "**Series 2010B Bonds**"); together with the Series 2010A Bonds, the "**Series 2010 Bonds**"); and

WHEREAS, the Commission subsequently entered into a Second Supplement to Indenture of Trust, dated as of May 1, 2014 (the "**Second Supplemental Indenture**"); together

with the Master Indenture and the First Supplemental Indenture, the “**Existing Indenture**”) in order to provide for the issuance of two series of Bonds designated as “Revenue Bonds, Series 2014A (AMT Tax-Exempt)” (the “**Series 2014A Bonds**”) and “Revenue Bonds, Series 2014B (Federally Taxable)” (the “**Series 2014B Bonds**”; together with the Series 2014A Bonds, the “**Series 2014 Bonds**”); and

WHEREAS, the Series 2010 Bonds are subject to optional redemption on March 1, 2020; and

WHEREAS, for the purpose of refunding the Series 2010 Bonds, the Commission wishes to enter into this Third Supplemental Indenture in order to provide for the terms of the following two series of Bonds, which will be issued under and in accordance with the Charter and the Act (as defined in the Existing Indenture) and pursuant to the terms and conditions set forth in the Master Indenture and herein:

- (i) “Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)” (the “**Series 2020A Bonds**”) and
- (ii) “Refunding Revenue Bonds, Series 2020B (Federally Taxable)” (the “**Series 2020B Bonds**”; together with the Series 2020A Bonds, the “**Series 2020 Bonds**”); and

WHEREAS, the Trustee has received an Opinion of Bond Counsel (as defined in the Master Indenture) stating that this Third Supplemental Indenture (i) is authorized by the Master Indenture, the Act and other applicable law, (ii) will, upon the execution and delivery thereof, be a valid and binding agreement of the Commission in accordance with its terms and (iii) will not adversely affect the tax-exempt status of interest on any tax-exempt Bonds.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH that in order to secure the payment of the Principal Amount of, premium, if any, and the interest on the Series 2020 Bonds delivered under the Master Indenture and hereunder and to secure the performance of the terms, conditions, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and covenants herein contained and of the purchase and acceptance of the Series 2020 Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Commission does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Series 2020 Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The capitalized terms used in this Second Supplemental Indenture shall have the meanings assigned to such terms in the Existing Indenture, unless otherwise defined below or elsewhere in this Second Supplemental Indenture or unless a different meaning clearly applies from the context in which such term is used herein:

“Closing Date” shall mean February __, 2020, the date of issuance of the Series 2020 Bonds.

“Depository” shall mean (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to Section 2.06 hereof.

“Depository System Participant” shall mean any participant in the Depository’s book-entry system.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Bank” means U.S. Bank National Association, and any successor and assign.

“Existing Indenture” means the Master Indenture, as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture.

“First Supplemental Indenture” shall mean the First Supplement to Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the Trustee, as successor trustee.

“Master Indenture” shall mean the Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the Trustee.

“Nominee” shall mean “Cede & Co.” or any successor nominee designated by the Depository pursuant to the terms of the Indenture.

“Qualified Facility” means a dock or wharf and property that is functionally related and subordinate to a dock or wharf, including storage or training facilities directly related to the dock or wharf and physically located on or adjacent to the dock or wharf as described in Treasury Regulation section 1.103-8(3).

“Qualified Project Costs” means costs paid with respect to the portion of the Series 2010A Projects financed with Series 2010A Proceeds that meet each of the following requirements: (i) the costs are properly chargeable to the capital account (or would be so chargeable with a proper election by the Commission or but for a proper election by the Commission to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the portion of the Series 2010A Projects financed with Series 2010A Proceeds shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all costs of the portion of the Series 2010A Projects financed with Series 2010A Proceeds; and provided further that interest accruing after the date of completion of the portion of the Series 2010A Projects financed with Series 2010A Proceeds shall not be a Qualified Project Cost; (ii) the costs are paid with respect to a qualified facility or facilities within the meaning of Section 142(c) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of “official intent” to reimburse costs paid with respect to the portion of the Series 2010A Projects financed with Series 2010A Proceeds (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Series 2010A Bonds, and (iv) if the costs relating to the portion of the Series 2010A Projects financed with Series 2010A Proceeds were previously paid and are to be reimbursed with Series 2010A Proceeds such costs were (A) costs of issuance of the Series 2010A Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the portion of the Series 2010A Projects financed with Series 2010A Proceeds (such as architectural, engineering and soil testing services) incurred before commencement of

acquisition or construction of the portion of the Series 2010A Projects financed with Series 2010A Proceeds that do not exceed twenty percent (20%) of the issue price of the Series 2010A Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the portion of the Series 2010A Projects financed with Series 2010A Proceeds that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the portion of the Series 2010A Projects financed with Series 2010A Proceeds is placed in service (but no later than three (3) years after the expenditure is paid). Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by the Commission in constructing or rehabilitating the portion of the Series 2010A Projects financed with Series 2010A Proceeds (or any portion thereof), and (B) any reasonable fees for supervisory services actually rendered by the Commission.

“Second Supplemental Indenture” shall mean the Second Supplement to Indenture of Trust, dated as of May 1, 2014, by and between the Commission and the Trustee.

“Series 2014 Bonds” shall have the meaning given that term in the Recitals.

“Series 2010 Bonds” shall mean collectively the Series 2010A Bonds and the Series 2010B Bonds.

“Series 2010A Bonds” shall mean the \$14,220,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt).

“Series 2010A Escrow Deposit and Trust Agreement” means the Escrow Deposit and Trust Agreement (Series 2010A Bonds), dated the Closing Date, between the Port Commission and the Escrow Bank.

“Series 2010A Escrow Fund” means the Escrow Fund created under the Series 2010A Escrow Deposit and Trust Agreement.

“Series 2010A Proceeds” has the meaning given that term in Section 4.02(g) of this Third Supplemental Indenture.

“Series 2010A Projects” shall mean the design, construction, reconstruction, repair and/or improvement of the facilities of the Port of San Francisco financed by the Series 2010A Bonds.

“Series 2010B Bonds” shall mean the \$22,430,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010B (Taxable).

“Series 2010B Escrow Deposit and Trust Agreement” means the Escrow Deposit and Trust Agreement (Series 2010B Bonds), dated the Closing Date, between the Port Commission and the Escrow Bank.

“Series 2010B Escrow Fund” means the Escrow Fund created under the Series 2010B Escrow Deposit and Trust Agreement.

“Series 2020 Bonds” shall mean, collectively, the Series 2020A Bonds and the Series 2020B Bonds.

“Series 2020 Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the Commission, dated the Closing Date, as originally executed and as may be amended from time to time.

“Series 2020 Interest Payment Date” shall mean March 1 and September 1 of each year, commencing September 1, 2020.

“Series 2020 Payment Date” means each Series 2020 Interest Payment Date and Series 2020 Principal Payment Date.

“Series 2020 Principal Payment Date” shall mean March 1 of each year, commencing September 1, 2020.

“Series 2020 Record Date” shall mean the close of business on the fifteenth day of the month preceding each Series 2020 Interest Payment Date, whether or not such fifteenth day is a Business Day.

“Series 2020A Bonds” shall mean the \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt).

“Series 2020B Delivery Costs Fund” shall mean the fund by that name established pursuant to Section 2.04(b) hereof.

“Series 2020B Bonds” shall mean the \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable).

“Series 2020B Delivery Costs Fund” shall mean the fund by that name established pursuant to Section 2.05(b) hereof.

“Third Supplemental Indenture” shall mean this Third Supplement to Indenture of Trust, dated as of February 1, 2020, by and between the Commission and the Trustee, as successor trustee.

ARTICLE II

TERMS OF SERIES 2020 BONDS

Section 2.01. Authorization and Purpose of Series 2020 Bonds. The Commission hereby authorizes the issuance of the Series 2020 Bonds for the purpose of providing moneys to refund the 2010 Bonds. The parties hereto hereby acknowledge and agree that the Series 2020 Bonds constitute “Bonds” as defined in the Master Indenture, that the Commission has delivered to the Trustee those items described in Section 2.09(a) and (b) of the Master Indenture and that the Series 2020 Bonds are secured by Net Revenues and the other amounts described in Section 5.01 of the Master Indenture on a parity with (i) the Series 2014 Bonds and (ii) any additional Series of Bonds which may hereafter be issued under the Indenture.

Section 2.02. Terms of the Series 2020 Bonds. (a) General. The Series 2020 Bonds authorized to be issued by the Commission under and subject to the terms of the Indenture and

the Charter and the Act shall be issued in two Series in the aggregate principal amounts specified below:

Series 2020A Bonds: "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)," which shall be issued in the aggregate principal amount of \$_____.

Series 2020B Bonds: "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable)," which shall be issued in the aggregate principal amount of \$_____.

As further provided herein, the Series 2020A Bonds shall be issued as tax-exempt qualified private activity bonds and the Series 2020B Bonds shall be issued as federally taxable obligations.

The Series 2020A Bonds shall be dated the Closing Date, shall bear interest at the rates set forth herein (calculated on the basis of a 360-day year comprised of 12 30-day months), shall be issued as fully registered bonds in authorized denominations of \$5,000 or any integral multiple thereof, shall be numbered in such manner as the Trustee may deem appropriate so long as each Series 2020A Bond receives a distinctive number and shall mature, subject to the right of prior redemption in whole or in part, as described herein, and become payable in the amounts and on the dates as provided herein.

The Series 2020B Bonds shall be dated the Closing Date, shall bear interest at the rates set forth herein (calculated on the basis of a 360-day year comprised of 12 30-day months), shall be issued as fully registered bonds in authorized denominations of \$5,000 or any integral multiple thereof, shall be numbered in such manner as the Trustee may deem appropriate so long as each Series 2020B Bond receives a distinctive number and shall mature, subject to the right of prior redemption in whole or in part, as described herein, and become payable in the amounts and on the dates as provided herein.

(b) Maturity Schedule of Series 2020A Bonds. The Series 2020A Bonds shall bear interest at the rates per annum, payable on each Series 2020 Interest Payment Date, and be payable as to principal on each Series 2020 Principal Payment Date in each of the years and in the amounts indicated as follows:

<u>Series 2020A Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>
<u>(March 1)</u>		

* Term Bonds

(c) Maturity Schedule of Series 2020B Bonds. The Series 2020B Bonds shall bear interest at the rates per annum, payable on each Series 2020 Interest Payment Date, and be

payable as to principal on each Series 2020 Principal Payment Date in each of the years and in the amounts indicated as follows:

<u>Series 2020B Bonds</u>		
<u>Year</u> <u>(March 1)</u>	<u>Principal</u>	<u>Interest Rate</u>

(d) Payment of Series 2020 Bonds. The Series 2020 Bonds shall bear interest from the Series 2020 Interest Payment Date immediately preceding the date of authentication thereof unless (i) the date of authentication thereof is prior to the first regular Series 2020 Record Date in which event from the dated date of such Series 2020 Bond, or (ii) the date of authentication thereof is a Series 2020 Interest Payment Date, in which event from that Series 2020 Interest Payment Date, or (iii) the date of authentication thereof is after a regular Series 2020 Record Date but before the following Series 2020 Interest Payment Date, in which event it shall bear interest from such Series 2020 Interest Payment Date.

Payment of interest on the Series 2020 Bonds shall be paid by check or draft mailed by the Trustee on the Series 2020 Interest Payment Date via first class mail to the Holders at their addresses shown on the registration books of the Trustee as of the close of business on the Series 2020 Record Date with respect to such Series 2020 Interest Payment Date; provided that payment of interest may be paid by federal wire transfer to an account in the United States designated by any Holder of Series 2020 Bonds in the aggregate principal amount of \$1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2020 Record Date. Any such written notice shall remain in effect until terminated or changed by subsequent written notice of the Holder.

Interest shall be paid notwithstanding the cancellation of any Series 2020 Bonds upon any exchange or registration of transfer thereof subsequent to the Series 2020 Record Date and prior to such Series 2020 Interest Payment Date.

The Principal Amount of and redemption premiums, if any, on the Series 2020 Bonds and payments of interest due at maturity or earlier redemption of the Series 2020 Bonds, shall be payable upon the surrender thereof at the Corporate Trust Office of the Trustee. The Principal Amount of and redemption premiums, if any, and interest on the Series 2020 Bonds shall be paid in lawful money of the United States of America.

(e) Limitations on Transfer and Exchange of Series 2020 Bonds. The Commission and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2020 Bond during the period beginning on the fifteenth day of the month preceding each Series 2020 Interest Payment Date and ending on such Series 2020 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2020 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed, on any redemption date, or (ii) any Series 2020 Bond selected for redemption.

(f) Optional Redemption of the Series 2020 Bonds.

(i) Series 2020A Bonds. The Series 2020A Bonds scheduled to mature on or before March 1, 20__ are not subject to optional redemption prior to maturity. The Series 2020A Bonds maturing on or after March 1, __ shall be subject to redemption as a whole or in part among such maturities as designated by the Commission (and by lot within any one maturity) prior to their respective maturity dates, at the option of the Commission, on any date on or after March 1, __, from funds derived by the Commission from any legally available source, at redemption prices equal to the principal amount to be redeemed, together with interest accrued thereon to the date of redemption, without premium.

(ii) Series 2020B Bonds. The Series 2020B Bonds are not subject to optional redemption prior to their maturity.

(g) Mandatory Sinking Fund Payments for Series 2020A Bonds. The Series 2020A Bonds (the "**Series 2020A Term Bonds**") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing on the dates specified below, solely from money which has been deposited into the Series 2020 Principal Account in amounts and upon the dates hereby established for such Series 2020A Term Bonds, as follows:

<u>Series 2020A Term Bonds Maturing on March 1, _____</u>	
Year <u>(March 1)</u>	Mandatory <u>Sinking Fund Payments</u>

Total

*Maturity

<u>Series 2020A Term Bonds Maturing on March 1, _____</u>	
Year <u>(March 1)</u>	Mandatory <u>Sinking Fund Payments</u>

Total

*Maturity

<u>Series 2020A Term Bonds Maturing on March 1, _____</u>	
Year <u>(March 1)</u>	Mandatory <u>Sinking Fund Payments</u>

Total

*Maturity

(2) The Trustee shall deposit in the Series 2020A Delivery Costs Fund established pursuant to Section 2.04(c) hereof the amount of \$_____, which shall be used to pay Delivery Costs with respect to the Series 2020A Bonds as directed by a certificate of an Authorized Commission Representative. The amount deposited in the Series 2020A Delivery Costs Fund shall result in the Commission complying with Section 4.02(k) of this Third Supplemental Indenture.

(b) Series 2020A Delivery Costs Fund. The Trustee shall establish a Series 2020A Delivery Costs Fund for the deposit and retention of a portion of the Series 2020A Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2020A Delivery Costs Fund upon receipt from an Authorized Commission Representative of a requisition setting out the payee, the amount of such disbursement and the purpose of such disbursement, including a statement that said disbursement was incurred for Delivery Costs. Upon the earlier of 180 days after initial delivery of the Series 2020A Bonds or receipt by the Trustee of a certificate of an Authorized Commission Representative that all Delivery Costs with respect to Series 2020A Bonds have been paid, the Trustee shall transfer remaining amounts in the Series 2020A Delivery Costs Fund to the Series 2020 Interest Account to pay interest on the Series 2020A Bonds.

The Trustee shall have no duty or liability to monitor the application of any moneys disbursed hereunder. The Trustee shall be absolutely protected in making any disbursement from the Series 2020A Delivery Costs Fund in reliance upon a requisition of an Authorized Commission Representative. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 2.05. Application of Proceeds of Sale of the Series 2020B Bonds; Establishment of Series 2020B Delivery Costs Fund.

(a) Application of Proceeds. Upon receipt on the Closing Date of payment of the purchase price for the Series 2020B Bonds in the amount of \$_____ (representing \$_____ principal amount, less an underwriters' discount in the amount of \$_____) from the original purchaser thereof, the Trustee shall set aside and deposit such amount as follows:

(1) On the Closing Date, the Trustee shall transfer \$_____ to the Escrow Bank for deposit in the Series 2010B Escrow Fund.

(2) The Trustee shall deposit in the Series 2020B Delivery Costs Fund established pursuant to Section 2.05(c) the amount of \$_____, which amount shall be used to pay Delivery Costs with respect to the Series 2020B Bonds as directed by a certificate of an Authorized Commission Representative.

(b) Series 2020B Delivery Costs Fund. The Trustee shall establish a Series 2020B Delivery Costs Fund for the deposit and retention of a portion of the Series 2020B Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2020B Delivery Costs Fund upon receipt from an Authorized Commission Representative of a requisition setting out the payee, the amount of such disbursement and the purpose of such disbursement, including a statement that said disbursement was incurred for Delivery Costs. Upon the earlier of 180 days after initial delivery of the Series 2020B Bonds or receipt by the Trustee of a certificate of an Authorized Commission Representative that all Delivery Costs with

respect to Series 2020B Bonds have been paid, the Trustee shall transfer remaining amounts in the Series 2020B Delivery Costs Fund to the Series 2020 Interest Account.

The Trustee shall have no duty or liability to monitor the application of any moneys disbursed hereunder. The Trustee shall be absolutely protected in making any disbursement from the Series 2020B Delivery Costs Fund in reliance upon a requisition of the Commission. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 2.06. Book-Entry Provisions.

(a) Original Delivery. The Commission may provide prior to the date of delivery of the Series 2020 Bonds, that the Series 2020 Bonds may be initially delivered in book-entry form pursuant to this Section 2.06.

The Series 2020 Bonds initially delivered in book-entry form shall be initially delivered in the form of a separate single fully registered Series 2020 Bond without coupons (which may be typewritten) for each maturity of the Series 2020 Bonds. Upon initial delivery, the ownership of each such Series 2020 Bond shall be registered by the Trustee in the name of the Nominee. Except as provided in subsection (c) below, the ownership of all such Outstanding Series 2020 Bonds shall be registered in the name of the Nominee on the registration books of the Registrar.

With respect to Series 2020 Bonds the ownership of which shall be registered in the name of the Nominee, the Commission and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Commission holds an interest in the Series 2020 Bonds. Without limiting the generality of the immediately preceding sentence, the Commission and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2020 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2020 Bondholder as shown in the Registration Books, of any notice with respect to the Series 2020 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2020 Bonds to be redeemed in the event the Commission elects to redeem the Series 2020 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2020 Bondholder as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series 2020 Bonds or (v) any consent given or other action taken by the Depository as Holder of the Series 2020 Bonds. The Commission and the Trustee may treat and consider the person in whose name each Series 2020 Bond is registered as the absolute owner of such Series 2020 Bond for the purpose of payment of principal, premium and interest on such Series 2020 Bond, for the purpose of giving notices of prepayment and other matters with respect to such Series 2020 Bond, for the purpose of registering transfers of ownership of such Series 2020 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Series 2020 Bonds only to the respective Holders or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Series 2020 Bonds to the extent of the sum or sums so paid. No person other than a Series 2020 Bondholder shall receive a Series 2020 Bond evidencing the obligation of the Commission to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee

hereunder for all purposes; and upon receipt of such a notice the Commission shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Series 2020 Bonds for the Depository's book-entry system, the Commission and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Series 2020 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Commission or the Trustee any obligation whatsoever with respect to persons having interests in the Series 2020 Bonds other than the Series 2020 Bondholders. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, the Commission may take any other actions, not inconsistent with this Indenture, to qualify the Series 2020 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Series 2020 Bonds, or (ii) the Commission determines to terminate the Depository as such, then the Commission shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Commission and the Trustee in the issuance of replacement Series 2020 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2020 Bonds, and by surrendering the Series 2020 Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2020 Bonds are to be issued. The Depository, by accepting delivery of the Series 2020 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Commission fails to identify another Securities Depository to replace the Depository, then the Series 2020 Bonds shall no longer be required to be registered in the name of the Nominee, but shall be registered in whatever name or names the Holders transferring or exchanging Series 2020 Bonds shall designate, in accordance with the provisions of Article II of the Master Indenture. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 2020 Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Series 2020 Bond and all notices with respect to such Series 2020 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section 2.06 or as otherwise instructed by the Depository.

ARTICLE III

SERIES 2020 INTEREST AND PRINCIPAL ACCOUNTS; SERIES 2020A REBATE FUND; EARNINGS ON DEBT SERVICE FUND AND RESERVE FUND

Section 3.01. Series 2020 Interest and Principal Accounts. Moneys accumulated in the Enterprise Fund shall be transferred by the Commission to the Trustee for deposit in the Debt Service Fund as provided in Section 5.05 of the Master Indenture and this Section 3.01; provided, that the following accounts are created in the Debt Service Fund held by the Trustee with respect to the Series 2020 Bonds; provided further, however, that to the extent that

deposits have been made in any of the accounts referred to below from the proceeds of the sale of the Series 2020 Bonds or otherwise, the deposits below need not be made:

(a) Series 2020 Interest Account. On or before the Business Day prior to each Series 2020 Interest Payment Date, the Commission shall transfer from the Enterprise Fund to the Trustee for deposit in the Series 2020 Interest Account within the Debt Service Fund (which account is hereby created), the interest to become due on the Series 2020 Bonds on such Series 2020 Interest Payment Date; provided that the Commission need not transfer any moneys at such time as the balance in said Series 2020 Interest Account shall be equal to the aggregate amount of interest becoming due and payable on the then Outstanding Series 2020 Bonds on the next succeeding Series 2020 Interest Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund interest on the Series 2014 Bonds pursuant to the Second Supplemental Indenture and any interest accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(b) Series 2020 Principal Account. On or before the Business Day prior to each Series 2020 Principal Payment Date, the Commission shall transfer from the Enterprise Fund to the Trustee for deposit in the Series 2020 Principal Account within the Debt Service Fund (which account is hereby created), the Principal Amount to become due on the Series 2020 Bonds on such Series 2020 Principal Payment Date; provided that the Commission need not transfer any moneys at such time as the balance in said Series 2020 Principal Account shall be equal to the aggregate Principal Amount becoming due and payable on the then Outstanding Series 2020 Bonds on the next succeeding Series 2020 Principal Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund the principal account for the Series 2014 Bonds pursuant to the Second Supplemental Indenture and any principal accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

Section 3.02. Reserved.

Section 3.03. Rebate Fund.

(a) General. The Trustee shall establish a special fund designated the "Series 2020A Bonds Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "**Rebate Requirement**") with respect to the Series 2020A Bonds, pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "**Treasury Regulations**"). The Commission may by Supplemental Indenture establish additional funds or accounts for purposes of satisfying the Rebate Requirement with respect to any other Outstanding Bonds. Amounts on deposit in the Rebate Fund shall be free and clear of any lien under the Indenture and shall be governed by this Section 3.03 and Section 6.07 of the Master Indenture and by the Tax Certificate relating to the Series 2020A Bonds. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Commission, and shall have no

independent responsibility to, or liability resulting from its failure to, enforce compliance by the Commission with the Rebate Requirement.

(b) Deposits.

(i) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the Commission shall calculate or cause to be calculated with respect to the Series 2020A Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (2) upon the Commission’s written direction, the Trustee shall deposit to the Rebate Fund from deposits from the Commission, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

(ii) The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section 3.03.

(iii) The Commission shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to make deposit of any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Series 2020A Bonds (including amounts treated as proceeds of the Series 2020A Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the Commission under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Commission shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment of all the Series 2020 Bonds and any amounts described in paragraph (2) of subsection (d) of this Section 3.03, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the Commission.

(d) Withdrawal for Payment of Rebate. Upon the Commission’s written direction, but subject to the exceptions contained in subsection (b) of this Section 3.03 to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148 3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Series 2020A Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148 3 of the Treasury Regulations.

(e) Rebate Payments. Each payment required to be made pursuant to subsection (d) of this Section 3.03 shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the Commission and provided to the Trustee.

(f) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Commission shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Commission equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(g) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (b) of this Section 3.03, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection (b), upon written instructions from the Commission, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) Record Keeping. The Commission shall retain records of all determinations made hereunder until six years after the complete retirement of the Series 2020 Bonds.

(i) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2020A Bonds.

ARTICLE IV

COVENANTS RELATING TO THE 2020 BONDS

Section 4.01. Continuing Disclosure. The Commission hereby covenants and agrees that it will comply with the provisions of the Series 2020 Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Commission to comply with the Series 2020 Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Series 2020 Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Series 2020 Bonds, shall) or any holder or Beneficial Owner (as defined in the Series 2020 Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the Commission to comply with the provisions of the Series 2020 Continuing Disclosure Certificate.

Section 4.02. Tax Covenants.

(a) Federal Guarantee Prohibition. The Commission will not take any action or permit or suffer any action to be taken if the result of such action would be to cause the Series 2020A Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(b) Rebate Requirement. The Commission will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2020A Bonds.

(c) No Arbitrage. The Commission will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series 2020A Proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series 2020A Bonds would have caused the Series 2020A Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(d) Maintenance of Tax-Exemption. The Commission will take all actions necessary to assure the exclusion of interest on the Series 2020A Bonds from the gross income of the Owners of the Series 2020A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of the Series 2020A Bonds.

(e) Record Retention. The Commission will retain its records of all accounting and monitoring it carries out with respect to the Series 2020A Bonds for at least 3 years after the Series 2020A Bonds mature or are redeemed (whichever is earlier); however, if the Series 2020A Bonds are redeemed and refunded, the Commission will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Series 2020A Bonds.

(f) Compliance with Tax Certificate. The Commission will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Series 2020A Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Series 2020A Bonds.

(g) Qualified Bonds. The Commission will assure that the sale proceeds of the Series 2010A Bonds, plus any investment earnings thereon (the “Series 2010A Proceeds”) are used in a manner such that the Series 2020A Bonds will satisfy the requirements of section 142(a)(2) and 142(c) of the Code (including the Treasury Regulations thereunder) relating to qualified docks and wharves, and the Commission will use that portion of the Series 2010A Projects financed with the Series 2010A Proceeds in such a manner that it qualifies as a dock or wharf within the meaning of section 142(a)(2) of the Code for so long as the Series 2020A Bonds remain outstanding.

(h) Public Use Requirement. The portion of the Series 2010A Projects financed with the Series 2010A Proceeds will satisfy the public use requirement either (a) by being located in a public port or (b) by being available for use by members of the general public.

(i) Governmental Ownership Requirement. The Commission covenants that the portion of the Series 2010A Projects financed with Series 2010A Proceeds will be owned by the Commission or by a governmental unit within the meaning of section 142(b)(1) of the Code. For this purpose, leased property is treated as owned by a governmental unit only if (A) the lessee irrevocably elects (which election is binding on the lessee and all successors under the lease) not to claim depreciation or investment credits for such property; (B) the lease term does not

exceed 80% of the reasonably expected economic life of the property financed; and (C) any option to purchase is at a price equal to the fair market value at the time of exercise of the option.

(j) Prohibited Private Business Uses. The Commission covenants that no Series 2010A Proceeds will be used to finance the following facilities if such facilities are used for a private business use:

- (i) lodging facilities;
- (ii) retail facilities (including food and beverage facilities) in excess of a size necessary to serve passengers and employees at the port facility;
- (iii) retail facilities (other than parking) located outside of the port terminal;
- (iv) office buildings for use by individuals other than employees of a governmental unit or of the operating authority; and
- (v) industrial parks or manufacturing facilities.

(k) Costs of Issuance Limitation. The Commission covenants that, from the Series 2010A Proceeds, an amount not in excess of two percent (2%) of the Series 2010A Proceeds was used for costs of issuance of the Series 2010A Bonds, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser of the Series 2010A Bonds were retained as a discount on the purchase of the Series 2010A Bonds, such retention shall be deemed to be an expenditure of Series 2010A Proceeds for said fees.

The Commission covenants that, from the Series 2020A Proceeds, an amount not in excess of two percent (2%) of the Series 2020A Proceeds will be used for costs of issuance of the Series 2020A Bonds, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser of the Series 2020A Bonds were retained as a discount on the purchase of the Series 2020A Bonds, such retention shall be deemed to be an expenditure of Series 2020A Proceeds for said fees.

(l) Limitation of Expenditure of Proceeds. The Commission covenants that not less than 95% of the net Series 2010A Proceeds (within the meaning of section 150(a)(3) of the Code) will be paid for Qualified Project Costs.

(m) Limitation on Land Acquisition. The Commission covenants that less than 25% of the Series 2010A Proceeds will be used, directly or indirectly, for the acquisition of land.

(n) Existing Facilities Limit. The Commission covenants that no Series 2010A Proceeds will be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation will not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in section 147(d) of the Code) with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with Series 2010A Proceeds; and provided, further, that this limitation will not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100% of the portion of the cost of acquiring such structure financed with the Series 2010A Proceeds.

(o) Certain Uses Prohibited. The Commission covenants that no Series 2010A Proceeds will be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(p) Limitation on Office Space. The Commission covenants that no Series 2010A Proceeds will be used to finance office space unless the office is located on the premises of that portion of the Series 2010A Projects financed with the Series 2010A Proceeds and not more than a de minimis amount of the functions to be performed at such office is not directly related to the day-to-day operations at that portion of the Series 2010A Projects financed with the Series 2010A Proceeds.

ARTICLE V

MISCELLANEOUS

Section 5.01. Effective Date of Third Supplemental Indenture. This Third Supplemental Indenture shall take effect upon its execution and delivery.

Section 5.02. Existing Indenture to Remain in Effect. Except as provided in this Third Supplemental Indenture, the Existing Indenture shall remain in full force and effect. In the event of any conflict between the provisions of this Third Supplemental Indenture and the Existing Indenture, the provisions of this Third Supplemental Indenture shall govern.

Section 5.03. Execution in Counterparts. This Third Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Second Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

PORT COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO

Executive Director

ATTEST:

Commission Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

Authorized Officer

Authorized Officer

EXHIBIT A

(FORM OF SERIES 2020A BOND (NON-AMT TAX-EXEMPT))

Registered No. _____ \$ _____

**PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS,
SERIES 2020A (Non-AMT Tax-Exempt)**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
	March 1, 20__	[Closing Date]	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ Thousand Dollars***

The PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (hereinafter sometimes called the "Commission"), a public body, corporate and politic, duly organized and existing under the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco (the "Charter"), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner hereof as shown above or registered assigns (herein sometimes referred to as the "Owner" or "Holder"), subject to the right of prior redemption (if any) hereinafter mentioned, the Principal Amount specified above, on the maturity date specified above, and to pay such Owner on each March 1 and September 1 of each year commencing on September 1, 2020 (each, a "Series 2020 Interest Payment Date") by check or draft mailed by the Trustee hereinafter referred to on the Series 2020 Interest Payment Date via first class mail to such Owner at such Owner's address shown on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Series 2020 Interest Payment Date (the "Series 2020 Record Date"), or by federal wire transfer to an account in the United States designated by such Owner of Bonds in the aggregate Principal Amount of \$1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2020 Record Date, interest on such Principal Amount from the Series 2020 Interest Payment Date immediately preceding the date of authentication hereof (unless (i) the date of authentication hereof is prior to the first regular Series 2020 Record Date in which event from the dated date specified above, or (ii) the date of authentication hereof is a Series 2020 Interest Payment Date, in which event from that Series 2020 Interest Payment Date, or (iii) the date of authentication hereof is after a regular Series 2020 Record Date but before the following Series 2020 Interest Payment Date, in which event it shall bear interest from such Series 2020 Interest Payment Date) until the Principal Amount hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the interest rate per annum set forth above payable semiannually on each Series 2020 Interest Payment Date. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Principal Amount of and redemption premiums, if any, and interest on the Series 2020 Bonds shall be paid in lawful money of the United States of America. The Principal Amount of and redemption premiums, if any, on the Series 2020 Bonds and payments of interest due at maturity or earlier redemption of the Series 2020 Bonds, shall be payable upon the surrender thereof at the corporate trust office (the "Corporate Trust Office")

of U.S. Bank National Association, as trustee (the "Trustee"), in St. Paul, Minnesota. All capitalized terms which are used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture (as hereinafter defined).

The Bonds (as defined in the Indenture hereinafter referred to) are special, limited obligations of the Commission, and are payable as to Principal Amount, redemption premium, if any, and interest, out of the Net Revenues, and not out of any other funds or moneys of the Commission not pledged thereto, as further provided in the Indenture. No Holder of the Bonds shall have the right to compel any exercise of the taxing power of the Commission, the City, the State of California or any political subdivision thereof to pay the Principal Amount of or the redemption premium, if any, or interest on the Bonds. This Bond is not a lien, charge or liability, as to either the Principal Amount or interest, against the State of California or any political subdivision thereof or against the Commission, the City or the Board of Supervisors of the City, or against the property or funds of any of the foregoing, except to the extent of the pledge of Net Revenue, as provided by the Indenture.

This Bond is one of a duly authorized issue of Bonds of the Commission designated "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)" (herein called the "Series 2020A Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and the Charter. The Series 2020A Bonds are authorized by and issued pursuant to certain resolutions duly adopted by the City and the Commission and under the Indenture of Trust, dated as of February 1, 2010, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of February 1, 2010 (the "First Supplement"), a Second Supplement to Indenture of Trust, dated as of May 1, 2014 and Third Supplement to Indenture of Trust, dated as of February 1, 2020 (together, the "Indenture"), each by and between the Commission and the Trustee, a copy of which is on file with the Secretary of the Commission and the Trustee.

This Bond will be secured by Net Revenues and other funds specified in the Indenture on parity with the following outstanding series of Bonds: (i) "Revenue Bonds, Series 2014A (AMT Tax-Exempt)," (ii) the "Revenue Bonds, Series 2014B (Federally Taxable)," and (iii) "Refunding Revenue Bonds, Series 2020B (Federally Taxable)," and with any other Outstanding Bonds hereafter issued in accordance with the Indenture.

All of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for said Bonds, for the nature, extent and manner of enforcement of such security and for the covenants and agreements made for the benefit of the Holders of the Bonds. By the acceptance of this Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture. All of the provisions of the Indenture are hereby incorporated by reference into this Bond as if set forth in full herein, and any inconsistency between the provisions of this Bond and the Indenture shall be resolved in favor of the Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the Commission and of the Holders of Bonds may (with certain exceptions as stated in said Indenture) be amended or supplemented with the consent of the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Outstanding Bonds of all Series affected by such amendment, unless such amendment is for the purpose of, among other things, curing ambiguities or formal defects or omissions, correcting or supplementing any provision which may be inconsistent with any other provision or

to make any other change or addition which shall not have a material adverse effect on the interests of the Holders, in which case no Bondholders' consent is required.

The Series 2020A Bonds are subject to optional and mandatory redemption as provided in the Indenture.

This Bond is issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof and is negotiable upon proper transfer of registration. This Bond is transferable by the Owner hereof or by his duly authorized attorney, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new Series 2020A Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor. This Bond may also be exchanged for a like aggregate principal amount of Series 2020A Bonds of other authorized denominations of the same maturity and interest rate, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond.

The Commission and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2020A Bond during the period beginning on the fifteenth day of the month preceding each Series 2020 Interest Payment Date and ending on such Series 2020 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2020A Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed or on any redemption date, or (ii) any Series 2020A Bond selected for redemption.

The Commission and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the Commission and the Trustee shall not be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

The Commission by execution of this Bond hereby certifies that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter, and that this Bond, together with all other indebtedness of the Commission pertaining to the Port Area, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be signed on its behalf by the signature of its Executive Director, all as of the Dated Date set forth above.

By: _____
Executive Director of the Port

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____, 2020

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By:

Authorized Signatory

* * * * *

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto
_____ the within mentioned Bond and hereby irrevocably
constitutes and appoints _____, attorney, to transfer the same on the books of the
Trustee with full power of substitution in the premises.

NOTE: The signature(s) on this Bond must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____, 20__

Signature Guaranteed By:

NOTE: Signature must be guaranteed by an eligible guarantor institution.

(FORM OF SERIES 2020B (FEDERALLY TAXABLE) BOND)

Registered No.

\$ _____

**PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS,
SERIES 2020B (Federally Taxable)**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
----------------------	----------------------	-------------------	--------------

March 1, 20__ [Closing Date]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ Thousand Dollars***

The PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (hereinafter sometimes called the "Commission"), a public body, corporate and politic, duly organized and existing under the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco (the "Charter"), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner hereof as shown above or registered assigns (herein sometimes referred to as the "Owner" or "Holder"), subject to the right of prior redemption hereinafter mentioned, the Principal Amount specified above, on the maturity date specified above, and to pay such Owner on each March 1 and September 1 of each year commencing on September 1, 2020 (each, a "Series 2020 Interest Payment Date") by check or draft mailed by the Trustee hereinafter referred to on the Series 2020 Interest Payment Date via first class mail to such Owner at such Owner's address shown on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Series 2020 Interest Payment Date (the "Series 2020 Record Date"), or by federal wire transfer to an account in the United States designated by such Owner of Bonds in the aggregate Principal Amount of \$1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2020 Record Date, interest on such Principal Amount from the Series 2020 Interest Payment Date immediately preceding the date of authentication hereof (unless (i) the date of authentication hereof is prior to the first regular Series 2020 Record Date in which event from the dated date specified above, or (ii) the date of authentication hereof is a Series 2020 Interest Payment Date, in which event from that Series 2020 Interest Payment Date, or (iii) the date of authentication hereof is after a regular Series 2020 Record Date but before the following Series 2020 Interest Payment Date, in which event it shall bear interest from such Series 2020 Interest Payment Date) until the Principal Amount hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the interest rate per annum set forth above payable semiannually on each Series 2020 Interest Payment Date. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Principal Amount of and redemption premiums, if any, and interest on the Series 2020 Bonds shall be paid in lawful money of the United States of America. The Principal Amount of and redemption premiums, if any, on the Series 2020 Bonds and payments of interest due at maturity or earlier redemption of the Series 2020 Bonds, shall be payable upon the surrender thereof at the corporate trust office (the "Corporate Trust Office") of U.S. Bank National Association, as trustee (the "Trustee"), in St. Paul, Minnesota. All capitalized terms which are used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture (as hereinafter defined).

The Bonds (as defined in the Indenture hereinafter referred to) are special, limited obligations of the Commission, and are payable as to Principal Amount, redemption premium, if any, and interest, out of the Net Revenues, and not out of any other funds or moneys of the Commission not pledged thereto, as further provided in the Indenture. No Holder of the Bonds shall have the right to compel any exercise of the taxing power of the Commission, the City, the State of California or any political subdivision thereof to pay the Principal Amount of or the redemption premium, if any, or interest on the Bonds. This Bond is not a lien, charge or liability, as to either the Principal Amount or interest, against the State of California or any political subdivision thereof or against the Commission, the City or the Board of Supervisors of the City, or against the property or funds of any of the foregoing, except to the extent of the pledge of Net Revenue, as provided by the Indenture.

This Bond is one of a duly authorized issue of Bonds of the Commission designated "Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable)" (herein called the "Series 2020B Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and the Charter. The Series 2020B Bonds are authorized by and issued pursuant to certain resolutions duly adopted by the City and the Commission and under the Indenture of Trust, dated as of February 1, 2010, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of February 1, 2010 (the "First Supplement"), a Second Supplement to Indenture of Trust, dated as of May 1, 2014 and a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (together, the "Indenture"), each by and between the Commission and the Trustee, a copy of which is on file with the Secretary of the Commission and the Trustee.

This Bond will be secured by Net Revenues and other funds specified in the Indenture on parity with the following outstanding series of Bonds: (i) the "Revenue Bonds, Series 2014A (AMT Tax-Exempt)," (ii) the "Revenue Bonds, Series 2014B (Federally Taxable)," and (iii) the "Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)," and with any other Outstanding Bonds hereafter issued in accordance with the Indenture.

All of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for said Bonds, for the nature, extent and manner of enforcement of such security and for the covenants and agreements made for the benefit of the Holders of the Bonds. By the acceptance of this Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture. All of the provisions of the Indenture are hereby incorporated by reference into this Bond as if set forth in full herein, and any inconsistency between the provisions of this Bond and the Indenture shall be resolved in favor of the Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the Commission and of the Holders of Bonds may (with certain exceptions as stated in said Indenture) be amended or supplemented with the consent of the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Outstanding Bonds of all Series affected by such amendment, unless such amendment is for the purpose of, among other things, curing ambiguities or formal defects or omissions, correcting or supplementing any provision which may be inconsistent with any other provision or to make any other change or addition which shall not have a material adverse effect on the interests of the Holders, in which case no Bondholders' consent is required.

The Series 2020B Bonds are not subject to redemption prior to their stated maturity date.

This Bond is issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof and is negotiable upon proper transfer of registration. This Bond is transferable by the Owner hereof or by his duly authorized attorney, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new Series 2020B Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor. This Bond may also be exchanged for a like aggregate principal amount of Series 2020B Bonds of other authorized denominations of the same maturity and interest rate, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond.

If the Series 2020B Bonds are subject to redemption, the Commission and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2020B Bond during the period beginning on the fifteenth day of the month preceding each Series 2020 Interest Payment Date and ending on such Series 2020 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2020B Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed or on any redemption date, or (ii) any Series 2020B Bond selected for redemption.

The Commission and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the Commission and the Trustee shall not be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

The Commission by execution of this Bond hereby certifies that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter, and that this Bond, together with all other indebtedness of the Commission pertaining to the Port Area, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be signed on its behalf by the signature of its Executive Director, all as of the Dated Date set forth above.

By: _____
Executive Director of the Port

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____, 2020

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By:

Authorized Signatory

* * * * *

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto
_____ the within mentioned Bond and hereby irrevocably
constitutes and appoints _____, attorney, to transfer the same on the books of the
Trustee with full power of substitution in the premises.

NOTE: The signature(s) on this Bond must
correspond with the name(s) as written on the face
of the within Registered Bond in every particular,
without alteration or enlargement or any change
whatsoever.

Dated: _____, 20__

Signature Guaranteed By:

NOTE: Signature must be
guaranteed by an eligible
guarantor institution.

PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

\$ _____
REFUNDING REVENUE BONDS,
SERIES 2020A (AMT – TAX-EXEMPT)

\$ _____
REFUNDING REVENUE BONDS,
SERIES 2020B
(FEDERALLY TAXABLE)

PURCHASE CONTRACT

[Sale Date]

Port Commission of the City
and County of San Francisco
Port of San Francisco, Pier 1
San Francisco, California 94111

Ladies and Gentlemen:

The undersigned Stifel, Nicolaus & Company (the “**Representative**”), on its own behalf and as representative of 280 Securities (together with the Representative, the “**Underwriters**”), offers to enter into the following agreement with the Port Commission of the City and County of San Francisco (the “**Commission**”). Upon the acceptance of this offer by the Commission, this Purchase Contract will be binding upon the Commission and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the Commission on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the Commission at any time prior to the acceptance of this Purchase Contract by the Commission. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the bonds captioned above (the “**Bonds**”) is otherwise terminated pursuant to Section 9(c) hereof, then and in such case the Commission shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the Commission shall be free to sell the Bonds to any other party.

The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010 (the “**Master Indenture**”), by and between the Commission and U.S. Bank National Association, as Trustee (the “**Trustee**”), as amended and supplemented, including by a Third Supplement to Indenture of Trust, dated as of ____ 1, 2020, by and between the Commission and the Trustee (the “**Third Supplemental Indenture**”). The Master Indenture, as previously supplemented and amended and as supplemented by the Third Supplemental Indenture is referred to herein as the “**Indenture**.”

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters hereby jointly and severally agree to purchase from the Commission, and the Commission agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$_____ aggregate principal amount of Bonds consisting of \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt) (the “**Series 2020A Bonds**”) and \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable) (the “**Series 2020B Bonds**”).

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The purchase price for the Bonds shall be \$_____, calculated as the aggregate principal amount of the Bonds in the amount of \$_____, less an aggregate underwriters’ discount in the amount of \$_____.

Section 2. Description of the Bonds and Transaction Documents; Purpose of the Bonds. The Bonds shall be substantially in the form described in the Indenture and shall be secured by the Net Revenues of the Port and other funds specified in the Indenture. Interest on the Series 2020A Bonds will be excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “**Code**”), except for interest on any Series 2020A Bond for any period during which such Series 2020A Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2020A Bonds or a “related person” within the meaning of Section 147(a) of the Code. Interest on the Series 2020A Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2020B Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds will be exempt from State of California personal income taxes.

The issuance of the Bonds was approved by the Commission pursuant to a resolution of the Commission adopted on _____, 2019 (the “**Commission Resolution**”) and by the Board of Supervisors of the City (the “**Board**”) pursuant to a resolution of the Board adopted on _____, 2019 and signed by the Mayor of the City on _____, 2019 (the “**Board Resolution**,” and together with the Commission Resolution, the “**Resolutions**”).

The Bonds are being issued for the purpose of providing funds to (a) refund certain outstanding bonds of the Commission (the “**Refunded Bonds**”) and, (b) pay costs of issuance of the Bonds.

The Commission will enter into two Escrow Agreements, dated as of ____ 1, 2020 (the “**Escrow Agreements**”), with U.S. Bank National Association, as trustee for the Refunded Bonds and escrow agent (the “**Escrow Agent**”), providing for the defeasance, payment and redemption of the Refunded Bonds. This Purchase Contract, the Indenture, the Escrow Agreements and the Continuing Disclosure Certificate are referred to collectively herein as the “**Transaction Documents**.”

Section 3. Official Statement. The Commission ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____, 2020 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the “**Preliminary Official Statement**”), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The Commission represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Bonds depending on such matters.

The Commission shall provide the Underwriters, within 7 business days after the date hereof (but in any event at least 2 business days prior to the Closing Date (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The Commission authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The Commission authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date (as defined herein), the Official Statement with the Municipal Securities Rulemaking Board or its designee (the “**MSRB**”). The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 4. Commission Representations, Covenants and Agreements. The Commission represents and covenants and agrees with each of the Underwriters that as of the date hereof:

(a) Due Organization, Existence and Authority. The Commission is duly organized and validly existing as a commission of the City under and pursuant to the Charter. The Commission has full legal right, power and authority to: (i) adopt the Commission Resolution; (ii) execute and deliver each of the Transaction Documents; (iv) approve the Official Statement and authorize its distribution by the Underwriters; (v) sell and deliver the Bonds to the Underwriters as provided herein; and (vi) carry out and consummate the other transactions contemplated by the Transaction Documents.

(b) Accuracy and Completeness of the Official Statement. As of its date and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“**DTC**”) and its book-entry only system) did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system) will not contain

any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the Commission to the contrary on or prior to such date.

If the Official Statement is supplemented or amended pursuant to Section 4(c), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) Supplements to the Official Statement. If between the date of delivery of the Official Statement and the date that is twenty-five days after the end of the underwriting period (i) any event occurs or any fact or condition becomes known to the Commission that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the Commission shall notify the Representative thereof, and (ii) if in the reasonable opinion of the Commission or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Commission will at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

(d) No Breach or Default. The Commission is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the Commission is a party or to which the Commission or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument; and the execution and delivery of the Transaction Documents, the adoption of the Resolutions and compliance with the provisions of the Transaction Documents and the Resolutions will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is subject, or by which it or any of its properties is bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as permitted by the Transaction Documents and the Resolutions.

(e) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the Commission after due inquiry, threatened by a prospective party or their counsel in writing addressed to the Commission, (i) in any way questioning the existence of the Commission or the titles of the officers of the Commission to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance of the Bonds, or the payment of the principal and interest with respect to the Bonds, or the collection of revenues pledged to pay the principal of and interest on the Bonds, or the pledge of such revenues, or the application of the proceeds of the Bonds in accordance with the Indenture; (iii) in any way contesting or affecting the validity of the Bonds or the Indenture or contesting the powers of the Commission or any authority for the issuance of the Bonds, the approval of the Resolutions or the execution and delivery by the Commission of the Transaction Documents or the Official Statement; (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or (v) which would likely result in any material adverse change relating to the business, operations or financial condition of the Commission or the Commission's ability to pay the Bonds.

(f) Further Cooperation; Blue Sky. The Commission will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the Commission in cooperation with the Representative as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the Commission shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(g) Financial Statements. The financial statements of the Commission for the fiscal year ended June 30, 2019, set forth as an Appendix to the Official Statement fairly present the financial position of the Commission as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(h) Continuing Disclosure. The Commission will undertake, pursuant to the Indenture and a Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Commission has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

(i) No Amendments. Between the date hereof and the Closing Date, the Commission will not supplement or amend the Transaction Documents, the Resolutions or the Official Statement in any respect that is material to the obligations of the Commission under this Purchase Contract without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

Section 5. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the Commission that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

(b) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such resolution, provide to the Commission a Business Tax Registration Certificate on or prior to the date hereof.

(c) It shall comply with the mandatory city contracting requirements set forth in Exhibit A hereto, and incorporated herein by this reference.

Section 6. Offering. It shall be a condition to the Commission's obligation to sell and deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase and accept delivery of the Bonds that the entire \$_____ principal amount of the Bonds shall be issued, sold and delivered by or at the direction of the Commission and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the Commission with information regarding the reoffering prices and yields on the Bonds, in such form as the Commission may reasonably request.

The Underwriters agree to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of the MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 7. Establishment of Issue Price of the Series 2020A Bonds.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Commission in establishing the issue price of the Series 2020A Bonds and shall execute and deliver to the Commission at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto

as **Exhibit D**, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Commission and Co-Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices of the Series 2020A Bonds to the public.

(b) The Commission will treat the first price at which 10% of each maturity of the Series 2020A Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule I attached hereto sets forth the maturities of the Series 2020A Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the “**10% Test Maturities**”) and the prices at which the Underwriters have sold such 10% Test Maturities to the public.

The Commission acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of Series 2020A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of Series 2020A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires.

(c) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to:

(A)(i) report the prices at which it sells to the public the unsold Series 2020A Bonds of any maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2020A Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2020A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) comply with the hold-the-offering-price rule, if

applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Series 2020A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2020A Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of Series 2020A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2020A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2020A Bonds of that maturity allocated to it have been sold or until it is notified by the Representative or the Underwriter or dealer that the 10% test has been satisfied as to Series 2020A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(d) The Underwriters acknowledge that sales of any Series 2020A Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Commission (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of Series 2020A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of Series 2020A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of Series 2020A Bonds to the public),

(iii) a purchaser of any of the Series 2020A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.]

Section 8. Closing. At ___:___ a.m., California time, on _____, 2020, or at such other time as shall have been mutually agreed upon by the Commission and the Representative (the “**Closing Date**” or the “**Closing**”), the Commission will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the Commission, together with the other certificates, opinions and documents set forth in Section 9(d); and the Representative will accept such delivery (through DTC) and pay the purchase price of the Bonds set forth in Section 1 by wire transfer.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California, or at such other place as may be mutually agreed upon by the Commission and the Underwriters. Such payment and delivery is called the “Closing.” The Representative shall order CUSIP identification numbers and the Commission shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. The Bonds will be delivered to DTC or via FAST, will be in printed, lithographed or typewritten form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be made available to the Representative for checking not less than 2 business days prior to the Closing.

Section 9. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Commission contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Commission of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters’ obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) Bring-Down Representation. The representations and warranties of the Commission herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) Executed Documents and Performance Thereunder. At the time of the Closing, the Transaction Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative;

(c) Termination Events.

(1) The Underwriters shall have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the Commission if at any time after the date of this Purchase Contract and prior to the Closing:

(i) any event shall have occurred or any fact or condition shall have become known which, in the sole reasonable judgment of the Underwriters following consultation with the Commission, Co-Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(ii) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission (SEC) which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies; or

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters; or

(iv) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(2) The Underwriters shall have the further right to cancel their obligation to purchase the Bonds by written notification from the Representative to the Commission if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and such occurrence, in the reasonable judgment of the Representative, would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds:

(i) there shall have occurred any materially adverse change in the affairs or financial condition of the Commission, except for changes which the Official Statement discloses are expected to occur; or

(ii) there shall have occurred or any notice shall have been given of any, downgrading, suspension, withdrawal, or negative change in credit watch status by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. or any other national rating service to any of the Commission's obligations (including the ratings to be accorded the Bonds); or

(iii) any proceeding shall have been commenced or be threatened in writing by the SEC against the Commission; or

(iv) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character of the Bonds which may have the purpose or effect, directly or indirectly, of affecting the tax status of the Commission, its property or income, its securities (including the Bonds) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds; or

(v) the declaration of war or engagement in, or escalation of, military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States; or

(vi) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or the establishment of minimum prices on such national securities exchanges, or the establishment of material restrictions (not in force as the date hereof) upon trading securities generally by any governmental authority or any national securities exchange or a material disruption in commercial banking or securities settlement or clearances services shall have occurred; or

(vii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the SEC, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters; or

(viii) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

(d) Closing Documents: At or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) a copy of the adopted Commission Resolution, certified by the Secretary of the Commission as having been duly enacted by the Commission and as being in full force and effect;

(2) a copy of the adopted Board Resolution, certified by the Clerk of the Board of Supervisors as having been duly enacted by the Board and as being in full force and effect;

(3) duly executed copies of the Transaction Documents;

(4) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the Commission by its authorized officer;

(5) A certificate of the Commission dated the Closing Date, signed on behalf of the Commission by an Authorized Commission Representative, to the effect that:

- (i) The representations and warranties of the Commission contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;
 - (ii) No event affecting the Commission has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and
 - (iii) No Event of Default has occurred and is continuing;
- (6) a certificate of the Trustee and the Escrow Agent, in form satisfactory to Co-Bond Counsel;
 - (7) a copy of a verification report with respect to the escrow for the Refunded Bonds not paid on the Closing Date, in form satisfactory to Co-Bond Counsel;
 - (8) an opinion of the City Attorney of the City addressed solely to the Commission substantially in the form attached hereto as **Exhibit B**;
 - (9) unqualified opinions of Jones Hall, A Professional Law Corporation and Amira Jackmon, Attorney at Law (“Co-Bond Counsel”), in substantially the form set forth as an Appendix to the Official Statement;
 - (10) supplemental opinions of Co-Bond Counsel, addressed to the Commission and the Underwriters, dated the Closing Date and substantially in the form attached hereto as **Exhibit C**;
 - (11) defeasance opinions of Co-Bond Counsel with respect to the Refunded Bonds not paid on the Closing Date;
 - (12) a Negative Assurance Letter from Norton Rose Fulbright US LLP, Disclosure Counsel, addressed and in form and substance acceptable to the Commission and the City Attorney;
 - (13) a letter of Stradling, Yocca, Carlson & Rauth, Underwriters’ Counsel (“**Underwriters’ Counsel**”), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;
 - (14) the opinion of counsel to the Trustee and the Escrow Agent, dated the Closing Date and addressed to the Commission, in form satisfactory to Co-Bond Counsel;
 - (15) evidence satisfactory to the Representative that Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch, Inc. have assigned ratings to the Bonds set forth in the Preliminary Official Statement;

(16) evidence of required filings with the California Debt and Investment Advisory Commission;

(17) two transcripts of all proceedings relating to the authorization and issuance of the Bonds; and

(18) Certificate of the Commission as to compliance with Section 2.09 of the Indenture along with the Report required by Section 2.09 of the Indenture.

(19) such additional legal opinions, certificates, instruments or other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the Closing Date, of the Commission's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Commission on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Commission.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel. If the Commission is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the Commission shall be under further obligations hereunder, except that the respective obligations of the Commission and the Underwriters set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 10. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the Commission shall pay, any expenses incident to the performance of the Commission's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel, Disclosure Counsel and Public Financial Management, Inc. and Backstrom McCarley Berry & Co., LLC (the "**Co-Municipal Advisors**") and any other counsel, auditors, engineers, consultants or others retained by the Commission in connection with the transactions contemplated herein; (ii) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(c) of this Purchase Contract); (iii) any fees charged by investment rating agencies for the rating of the Bonds and (iv) all other costs connected to the issuance of the Bonds except those costs specially described below. The Commission shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(b) The Underwriters shall pay (from the expense component of the underwriting discount) all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the Commission agrees to reimburse the Underwriters (by way of paying the expense component of the underwriting discount) for such fees.

Section 11. Notices. Any notice or other communication to be given to the Commission or the Underwriters under this Purchase Contract may be given by delivering the same in writing at the addresses set forth below:

If to the Commission:

Port Commission of the City
and County of San Francisco
Port of San Francisco, Pier 1
San Francisco, California 94111
Telephone: (415) 274-0400
Fax: (415) 274-0412

With a copy to:

City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864

Stifel, Nicolaus & Company
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Telephone: (415) 364-6829

Section 12. Parties in Interest. This Purchase Contract is made solely for the benefit of the Commission and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract.

Section 13. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 14. Counterparts. This Purchase Contract may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 15. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 16. Arm's Length Transaction. The Commission acknowledges that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the Commission and the Underwriters, (ii) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the Commission and may have financial and other interests that differ from those of the Commission, irrespective of whether any Underwriter has provided other services or is currently providing other services to the Commission on other matters; and (iii) the Commission has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 17. Entire Agreement. This Purchase Contract is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings,

proposals, representations or communications, oral or written. This Purchase Contract may only be amended by a writing executed by the authorized representatives of the parties.

Section 18. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 19. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the Commission and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

STIFEL, NICOLAUS & COMPANY, 280
SECURITIES

By: STIFEL, NICOLAUS & COMPANY, as
Representative

By: _____
Authorized Officer

COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

By: _____
Elaine Forbes
Executive Director

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

SCHEDULE I
MATURITY SCHEDULE

\$ _____

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
--	-----------------------------------	----------------------	--------------	--------------

EXHIBIT A

MANDATORY CITY CONTRACTING REQUIREMENTS

Each underwriter shall comply with the following provisions of this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this exhibit shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

(a) *Non Discrimination in Contracts.* Each Underwriter shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Each Underwriter shall incorporate by reference in any subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. Each Underwriter is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(b) *Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2.* Each Underwriter does not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

(c) *Condition to Contract.* As a condition to the Purchase Contract, each Underwriter shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated by this reference and made part of this Purchase Contract. By entering into this Purchase Contract, each Underwriter confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

3. Tropical Hardwood and Virgin Redwood Ban. Under San Francisco Environment Code Section 804(b), the City urges each Underwriter not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

4. Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require each Underwriter to remove from, City facilities personnel of such Underwriter who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. The City shall have the right of final approval

for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

5. Compliance with Americans with Disabilities Act. Each Underwriter shall provide the services specified in the Purchase Contract in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.

6. Sunshine Ordinance. Each Underwriter acknowledges that this Purchase Contract and all records related to its formation, such Underwriter's performance of services provided under the Purchase Contract, and the City's payment are subject to the California Public Records Act, (California Government Code §6250 et. seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state or local law.

7. Limitations on Contributions. By executing this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The prohibition on contributions applies to each prospective party to the contract; each member of each Underwriter's board of directors; each Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Each Underwriter must inform each such person of the limitation on contributions imposed by Section 1.126 and provide the names of the persons required to be informed to City.

8. Requiring Minimum Compensation for Covered Employees. Each Underwriter shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12P. By entering into this Purchase Contract, each Underwriter certifies that it is in compliance with Chapter 12P.

9. Requiring Health Benefits for Covered Employees. Each Underwriter shall comply with San Francisco Administrative Code Chapter 12Q. Each Underwriter shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative

Code Chapter 12Q.3. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12Q.

10. Prohibition on Political Activity with City Funds. In performing the services provided under the Purchase Contract, each Underwriter shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Purchase Contract from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12G.

11. Nondisclosure of Private, Proprietary or Confidential Information. If this Purchase Contract requires the City to disclose "Private Information" to an Underwriter within the meaning of San Francisco Administrative Code Chapter 12M, each Underwriter shall use such information consistent with the restrictions stated in Chapter 12M and in this Purchase Contract and only as necessary in performing the services provided under the Purchase Contract. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of services provided under the Purchase Contract, each Underwriter may have access to the City's proprietary or confidential information, the disclosure of which to third parties may damage the City. If the City discloses proprietary or confidential information to an Underwriter, such information must be held by such Underwriter in confidence and used only in performing the Purchase Contract. Each Underwriter shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary or confidential information.

12. Consideration of Criminal History in Hiring and Employment Decisions. Each Underwriter agrees to comply fully with and be bound by all of the provisions of Chapter 12T, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("Chapter 12T"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Purchase Contract. The text of Chapter 12T is available on the web at <http://sfgov.org/olse/fco>. A partial listing of some of the Underwriters' obligations under Chapter 12T is set forth in this Section. Each Underwriter is required to comply with all of the applicable provisions of Chapter 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12T.

The requirements of Chapter 12T shall only apply to an Underwriter's operations to the extent those operations are in furtherance of the performance of this Purchase Contract, shall apply only to applicants and employees who would be or are performing work in furtherance of this Purchase Contract, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco. Chapter 12T shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated

into this Purchase Contract. Under San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

15. Conflict of Interest. By entering into the Purchase Contract, each Underwriter certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Purchase Contract.

16. Assignment. The services provided under the Purchase Contract to be performed by each Underwriter are personal in character and neither this Purchase Contract nor any duties or obligations may be assigned or delegated by an Underwriter unless first approved by the City by written instrument executed and approved in the same manner as this Purchase Contract. Any purported assignment made in violation of this provision shall be null and void.

17. Food Service Waste Reduction Requirements. Each Underwriter shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the provided remedies for noncompliance.

18. Cooperative Drafting. This Purchase Contract has been drafted through a cooperative effort of the City and the Underwriters, and all parties have had an opportunity to have the Purchase Contract reviewed and revised by legal counsel. No party shall be considered the drafter of this Purchase Contract, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Purchase Contract.

19. Sugar-Sweetened Beverage Prohibition. Each Underwriter agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Purchase Contract.

20. First Source Hiring Program. Each Underwriter must comply with all of the provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Purchase Contract, and each Underwriter is subject to the enforcement and penalty provisions in Chapter 83.

21. Laws Incorporated by Reference. The full text of the laws listed in this Exhibit A, including enforcement and penalty provisions, are incorporated into this Purchase Contract by reference. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Exhibit A are available at www.sfgov.org under “Open Gov.”

EXHIBIT B

FORM OF OPINION OF CITY ATTORNEY

[LETTERHEAD OF CITY ATTORNEY]

_____, 2020

Port Commission of the City and County of San Francisco
San Francisco, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California 94104

Re: \$ _____ Port Commission of the City and County of San Francisco Revenue
Bonds, Series 2020A (Non-AMT Tax-Exempt)

\$ _____ Port Commission of the City and County of San Francisco Revenue
Bonds, Series 2020B (Federally Taxable)

Ladies and Gentlemen:

This office has acted as counsel to the Port Commission of the City and County of San Francisco (the "Commission") in connection with the issuance and sale of the \$ _____ principal amount of the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020A (AMT Tax-Exempt) and the Series 2014A principal amount of the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020B (Federally Taxable) (collectively, the "Bonds"). The Bonds are being issued pursuant to Section 9.107 of the Charter of the City (the "Charter"), Chapter 43, Article XII ("Article XII") of the City and County of San Francisco Administrative Code, an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), by and between the Commission and U.S. Bank National Association as successor trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplement to Indenture of Trust, dated as February 1, 2020 (the "Third Supplemental Indenture" (together with the Master Indenture, as previously supplemented, the "Indenture"), Resolution No. _____ duly adopted by the Commission on _____, 2019 (the "Commission Resolution") and Resolution No. _____, duly adopted by the Board of Supervisors of the City and County of San Francisco on _____, 2019, and signed by Mayor London Breed on _____, 2020 (the "Board of Supervisors' Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in that certain Bond Purchase Contract, dated _____, 2020 (the "Purchase

Contract”), between the Commission and the underwriters named therein (the “Underwriters”).

In such connection, we have reviewed such documents, certifications of officers of the Commission and others, and such other agreements, instruments and documents, and such other matters, as we deemed necessary for the purpose of delivering the opinions herein. Based upon such examination and in reliance thereon, and our considerations of such questions of law as we deemed necessary, we are of the opinion that:

(1) The Commission is a duly constituted public commission of the City and County of San Francisco duly organized and validly existing pursuant to its Charter and the Constitution and laws of the State, with full right, power, and authority to: (i) adopt the Resolutions; (ii) execute and deliver the Indenture, the Continuing Disclosure Certificate and the Purchase Contract; (iii) approve the Official Statement and authorize its distribution by the Underwriters; (iv) sell and deliver the Bonds to the Underwriters as provided in the Purchase Contract; and (v) carry out and consummate the other transactions contemplated by the Resolutions and the Purchase Contract.

(2) The Commission Resolution was duly adopted at a meeting of the Commission, duly called and held pursuant to law, with all the public notice required by law and at which a quorum was present and acting throughout each meeting; and the Resolution is in full force and effect and has not been modified, amended or rescinded.

(3) The Board of Supervisors’ Resolution was duly adopted at a meeting of the Board of Supervisors, duly called and held pursuant to law, with all the public notice required by law and at which a quorum was present and acting throughout such meeting; and the Board of Supervisors’ Resolution is in full force and effect and has not been modified, amended or rescinded.

(4) To the best knowledge of the undersigned, except as otherwise disclosed in the Official Statement, neither the execution nor the delivery by the Commission of the Indenture, the Continuing Disclosure Certificate or the Purchase Contract, the adoption of the Resolutions, or the compliance by the Commission with such documents or authorizations, or the consummation of the transactions contemplated by such documents or the Official Statement conflicts with or constitutes a material breach of or default under any applicable law or administrative regulation of the State or the United States, or any other statute or administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Commission is subject which breach, default or conflict would have a material adverse effect on the ability of the Commission to repay the Bonds or have a material adverse effect on the ability of the Commission to perform its obligations under the Indenture, the Continuing Disclosure Certificate or the Purchase Contract.

(5) The Purchase Contract, the Indenture, and the Continuing Disclosure Certificate have each been duly authorized, executed and delivered by the Commission and constitute the valid, legal and binding agreements of the Commission, each enforceable in accordance with its respective terms, except as enforcement thereof may be limited by

bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought and limitations on the enforcement of legal remedies against public agencies in the State.

(6) Except as disclosed in the Official Statement, there is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Commission, threatened against the Commission affecting the existence of the Commission or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or any action of the Commission contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement, or contesting the powers of the Commission with respect to the Bonds or any action of the Commission contemplated by any of such documents, nor to the knowledge of the Commission, is there any basis therefor.

(7) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Commission, threatened against the Commission in which a final adverse decision would materially and adversely affect the operations of the Port.

This letter is furnished solely for the benefit of the above-addressed parties. This letter is not to be circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by anyone other than the above-addressees.

Very truly yours,

DENNIS J. HERRERA
City Attorney

Mark D. Blake
Deputy City Attorney

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

_____, 2020

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

280 Securities
575 Market St, #3800
San Francisco, California 94105

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services

SUPPLEMENTAL OPINION: \$_____ Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)

\$_____ Port Commission of the City and County of San Francisco Revenue Bonds, Series 2020B (Federally Taxable)

Ladies and Gentlemen:

We have acted as co-bond counsel to the Port Commission of the City and County of San Francisco (the "Commission") in connection with the issuance by the Commission of the captioned bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) Section 9.107 of the Charter of the City and County of San Francisco and Chapter 43, Article XII of the San Francisco Administrative Code (together, the "Bond Law"), (ii) an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), by and between the Commission and U.S. Bank National Association as successor trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (the "Third Supplemental Indenture" and, together with the Master Indenture, as previously supplemented, the "Indenture"), (iii) Resolution No. _____ duly

adopted by the Commission on _____, 2019 and (iv) Resolution No. _____, duly adopted by the Board of Supervisors of the City and County of San Francisco on _____, 2019, and signed by Mayor London Breed on _____, 2020. Under the Indenture, the City has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due.

In that connection, we have examined the Indenture, the Bond Purchase Contract, dated _____, 2020 (the "Purchase Contract"), by Stifel, Nicolaus & Company, Incorporated, as representative of itself and 280 Securities, as underwriters, and accepted by the Commission, the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion. Capitalized terms used herein but not defined have the meaning given them in the Purchase Contract.

As to questions of fact material to our opinion, we have relied upon representations of the Commission contained in the Indenture and the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

This opinion is being delivered in our capacity as co-bond counsel to the Commission and not as counsel to any other addressee hereof.

Based upon our examination, we are of the opinion, as of the date hereof, under existing law, that:

(1) The statements contained in the Official Statement under the captions "TERMS OF THE SERIES 2020 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS," "TAX MATTERS," APPENDIX A – "SUMMARY OF THE LEGAL DOCUMENTS," APPENDIX E – "PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Bond Law, the Bonds, the Indenture, and the final approving opinion of Co-Bond Counsel with respect to the federal tax law treatment of interest on the Bonds, are accurate in all material respects.

(2) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(3) The Purchase Contract and the Continuing Disclosure Certificate have each been duly authorized, executed and delivered by the Commission and constitute the valid, legal and binding agreements of the Commission, each enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought and limitations on the enforcement of legal remedies against public agencies in the State.

This opinion is rendered solely for your benefit in connection with issuance of the Bonds and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur, and our engagement with respect to this matter has terminated as of the date hereof.

[Co-Bond Counsel]

EXHIBIT D

FORM OF ISSUE PRICE CERTIFICATE FOR SERIES 2020A BONDS

PRELIMINARY OFFICIAL STATEMENT DATED MARCH ____, 2020

NEW ISSUE—BOOK-ENTRY ONLY

S&P: “ ”
 Moody’s “ ”
 Fitch “ ”

See “RATINGS” herein

In the opinion of Jones Hall, A Professional Law Corporation and Amira Jackmon, Attorney at Law, Co-Bond Counsel, Co-Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, except during any period while a Series 2020A Bond is held by a “substantial user” of the facilities financed by the Series 2020 Bonds or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, and is not an item of tax preference for purposes of the federal alternative minimum tax.. The interest on the Series 2020B Bonds is not intended by the Port Commission to be excluded from gross income for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the Series 2020 Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.”

PORT COMMISSION OF THE
 CITY AND COUNTY OF SAN FRANCISCO



\$ _____
 REFUNDING REVENUE BONDS
 SERIES 2020A
 (NON-AMT TAX-EXEMPT)

\$ _____
 REFUNDING REVENUE BONDS
 SERIES 2020B
 (FEDERALLY TAXABLE)

Dated: Date of Delivery

Due: ____, as shown on the inside cover

The Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt) (the “Series 2020A Bonds”) and Series 2020B (Federally Taxable) (the “Series 2020B Bonds”) and, together with the Series 2020A Bonds, the “Series 2020 Bonds”) are being issued by the Port Commission of the City and County of San Francisco (the “Port Commission”) pursuant to the Charter of the City and County of San Francisco (the “City”) and an Indenture of Trust, dated as of February 1, 2010 (the “Master Indenture”), between the Port Commission and U.S. Bank National Association (the “Trustee”), as amended and supplemented, including by a First Supplement to the Indenture of Trust, dated as of February 1, 2010, a Second Supplement to Indenture of Trust, dated as of May 1, 2014 (the “Second Supplemental Indenture”) and a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (the “Third Supplemental Indenture”) and, together with the Master Indenture as amended, the “Indenture”). The Series 2020 Bonds are being 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 (collectively, the “Refunded Bonds”), which are currently outstanding in the aggregate principal amount of [\$29,865,000], and (ii) pay certain costs of issuing the Series 2020 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Interest on the Series 2020 Bonds will be payable on March 1 and September 1 of each year commencing September 1, 2020 (each, an “Interest Payment Date”), until their respective stated maturity dates. A maturity schedule with interest rates, yields and other information on the Series 2020 Bonds is on the inside cover page. The Trustee will pay interest to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (the “Record Date”), whether or not such fifteenth day is a Business Day. The Series 2020 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), to which payments of principal of and interest on the Series 2020 Bonds will be made. Individual purchases of the Series 2020 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2020 Bonds will not receive physical delivery of bond certificates. Payment of principal of and interest on the Series 2020 Bonds will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2020 Bonds. See APPENDIX C – “BOOK-ENTRY SYSTEM.”

The Series 2020A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “TERMS OF THE SERIES 2020 BONDS – Redemption Provisions.”

The Series 2020B Bonds are subject to mandatory sinking fund redemption but are not subject to optional redemption prior to maturity.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Series 2020 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS." The Series 2020 Bonds are not a debt or obligation of the City, the State of California (the "State") or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2020 Bonds. No Holder of a Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2020 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2020 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue). See "CERTAIN RISK FACTORS."

This Cover Page contains certain information for quick reference only. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The Series 2020 Bonds are offered when, as, and if issued by the Port Commission and accepted by the Underwriters, subject to approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California. Certain legal matters will be passed upon for the Port Commission by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, and the City Attorney of the City and County of San Francisco, and for the Underwriters by their counsel, _____. It is expected that the Series 2020 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about February __, 2020.

Stifel, Nicolaus & Company, Inc.

280 Securities LLC

The date of this Official Statement is _____, 2020.

MATURITY SCHEDULE

Series 2020A Bonds
(Non-AMT Tax-Exempt)
 (Base CUSIP[†] Number: [797679])
 \$_____ Serial Bonds

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] Suffix</u>
-------------------------------	-----------------------------	--------------------------	--------------	--------------	---------------------------------

\$_____ % Term Bond Due _____ 1, 20__ Yield – _____ % Price – _____ CUSIP[†]: 797679 _____

Series 2020B Bonds
(Federally Taxable)
 (Base CUSIP[†] Number: [797679])
 \$_____ Serial Bonds

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] Suffix</u>
-------------------------------	-----------------------------	--------------------------	--------------	--------------	---------------------------------

\$_____ % Term Bond Due _____ 1, 20__ Yield – _____ % Price – _____ CUSIP[†]: 797679 _____

\$_____ % Term Bond Due _____ 1, 20__ Yield – _____ % Price – _____ CUSIP[†]: 797679 _____

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Co-Municipal Advisors are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2020 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from the Port Commission, the City and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port Commission or the City since the date hereof. This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2020 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The City and the Port Commission each maintains a website and issues from time to time a variety of reports and other information. The information presented on such websites and otherwise issued is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2020 Bonds. Various other websites, reports and other information referred to in this Official Statement also are not incorporated herein by such references.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2020 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2020 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS AND OTHER CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

PORT OF SAN FRANCISCO

[insert map]

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

Kimberly Brandon, *President*
Willie Adams, *Vice President*
Gail Gilman, *Commissioner*
Victor G. Makras, *Commissioner*
Doreen Woo Ho, *Commissioner*

Elaine Forbes, *Executive Director*

THE CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Vallie Brown, *District 5*

Matt Haney, *District 6*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safaf, *District 11*

CITY ATTORNEY

Dennis Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Ben Rosenfield, *Controller*
Anna Van Degna, *Director of Public Finance*

SPECIAL SERVICES

Co-Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Amira Jackmon, Attorney at Law
Berkeley, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles California

Co-Municipal Advisors

PFM Financial Advisors LLC
San Francisco, California

Backstrom McCarley Berry & Co., LLC
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
General.....	1
The Port Commission.....	1
Port Commission Revenue.....	2
Authority for Issuance.....	2
The Bonds.....	2
Parity Bonds.....	2
Sources of Payment for the Bonds.....	3
Limited Obligations.....	3
Continuing Disclosure.....	3
Additional Information.....	3
TERMS OF THE SERIES 2020 BONDS.....	4
General.....	4
Book-Entry System.....	4
Redemption Provisions.....	4
PLAN OF REFUNDING.....	6
ESTIMATED SOURCES AND USES OF FUNDS.....	6
DEBT SERVICE SCHEDULE.....	7
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS.....	8
Pledge of Net Revenue Under the Indenture.....	8
Application of Revenue Under the Charter and Indenture.....	9
Flow of Funds.....	10
Permitted Investments.....	11
Covenant to Maintain Net Revenue.....	11
Additional Bonds and Other Obligations.....	11
THE CITY.....	14
THE PORT OF SAN FRANCISCO.....	15
Introduction and Overview.....	15
Port Commissioners.....	16
Executive Director and Senior Management.....	16
Port Operating Divisions.....	18
PORT REAL ESTATE OPERATIONS.....	20
Overview.....	20
Industrial and Other Non-Maritime Real Estate Leases and Lease Revenues.....	20

San Francisco's and the Port's Real Estate Market	22
PORT MARITIME OPERATIONS	24
Overview	24
Cargo	25
Passenger Cruises	25
Commercial Fishing and Fish Processing	25
Ferry Operations.....	26
Harbor Services	26
South Beach Harbor	26
Ship Repair	26
Shipyard Operation	27
PORT COMMISSION FINANCIAL OPERATIONS	27
Introduction and Overview.....	27
Port Commission Operating and Capital Budget Processes	28
Port Commission Operating Reserve Policy and Liquidity.....	29
Fiscal Year 2019-20 Operating and Capital Budgets	29
Historical Condensed Statement of Net Position	31
Port Operating Revenues – General	31
Operation and Maintenance Expenses.....	34
Historical Operating Results	36
Historical Debt Service Coverage	38
Projected Debt Service Coverage.....	39
Investment Policy and Investments	42
Regulatory Environment	42
Environmental Compliance.....	44
Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation	46
Risk Management and Insurance	47
Labor Relations	48
Employee Benefit Plans	48
Pension Plan	48
Health Retiree Benefits	52
Postemployment Health Care Benefits.....	52
PORT CAPITAL IMPROVEMENT PROGRAM AND DEVELOPMENT STRATEGY	55
Facility Assessment Program	55
Capital Improvement Program	55
Recently Completed Capital Improvement Projects	56

Ongoing and Future Capital Projects	57
Impact of Dissolution of Redevelopment Agencies	60
CERTAIN RISK FACTORS	61
Limitation on Remedies	61
Condition of Port Facilities	61
State of California Air Emissions Regulations and Associated Risks to Cruise Industry	61
Certain Economic and Other Constraints on Port Revenue.....	62
Burton Act and Transfer Agreement	63
General Economic Risk and Real Estate Risk.....	64
Risk of Earthquake and Tsunami	64
FEMA Flood Zone	65
Sea Level Rise and Risks Associated with Global Climate Change	66
Acts of Terrorism and Force Majeure Events	67
No Insurance for Certain Losses	68
Operation and Maintenance Expenses.....	68
Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation	68
Construction Risk.....	69
Constitutional and Statutory Restrictions on Fees and Charges; Change in Law.....	70
Bankruptcy or Financial Failure of Tenant.....	71
Uncertainties of Projections and Assumptions; Forward Looking Statements	71
Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers.....	71
Secondary Market	72
AUDITED FINANCIAL STATEMENTS	72
CONTINUING DISCLOSURE.....	72
TAX MATTERS	72
Series 2020A Bonds – Federal Tax Law	72
Series 2020B Bonds – Federal Tax Law	74
State Law.....	74
Limitation.....	74
Form of Opinion.....	74

RATINGS.....	74
UNDERWRITING.....	74
LITIGATION.....	75
CERTAIN LEGAL MATTERS.....	75
MUNICIPAL ADVISORS.....	76
MISCELLANEOUS.....	76
APPROVAL AND EXECUTION.....	76

APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO
APPENDIX B – FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019
APPENDIX C – BOOK-ENTRY SYSTEM
APPENDIX D – SUMMARY OF THE LEGAL DOCUMENTS
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX F – PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL

OFFICIAL STATEMENT

PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

\$ _____*
REFUNDING REVENUE BONDS
SERIES 2020A
(Non-AMT TAX-EXEMPT)

\$ _____*
REFUNDING REVENUE BONDS
SERIES 2020B
(FEDERALLY TAXABLE)

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below).

General

This Official Statement is furnished in connection with the offering of \$ _____* aggregate principal amount of the Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 2020A (Non-AMT Tax-Exempt) (the "Series 2020A Bonds") and the Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 2020B (Federally Taxable) (the "Series 2020B Bonds" and, together with the Series 2020A Bonds, the "Series 2020 Bonds" or the "Bonds"). The Series 2020 Bonds are being 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 (collectively, the "Refunded Bonds"), which are currently outstanding in the aggregate principal amount of [\$29,865,000], and (ii) pay certain costs of issuing the Series 2020 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Port Commission

The Port Commission of the City and County of San Francisco (the "Port Commission") is a self-supporting enterprise department of the City and County of San Francisco (the "City"). The geographic boundaries and jurisdiction of the Port of San Francisco (the "Port") consists of seven and one half miles of waterfront adjacent to San Francisco Bay. In 1969, the State of California (the "State") transferred the Port to the City to be held in trust for the people of the State. The Port is governed by a five-member commission and is managed as a self-supporting enterprise department of the City. The term "Port Commission" is sometimes used in this Official Statement to refer to this commission as well as to the Port as a legal entity, and the term "Port" is sometimes used to refer to the enterprise governed by the Port Commission and its operations or to the Port Area (defined below) and the land and facilities therein; however, in each case the meaning of such terms depends upon the context in which used.

The term "Port Area" is defined under the Indenture as all real and personal property owned, controlled or operated by the Port Commission, or over which the Port Commission has management, supervision or control, or is deemed by the Port Commission to be a benefit to the Port Area. See "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement." The Port Area consists of seven and one-half miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the north to India Basin in the south, including more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. The Port's waterfront property is adjacent to the natural harbor of San Francisco Bay with channel and berth depths of up to 40 feet that can accommodate larger ships.

* Preliminary, subject to change.

Port Commission Revenue

The Port Commission's revenue is derived primarily from leases of Port property to commercial, industrial and maritime enterprises and from maritime operations, including cargo, fishing, harbor services, cruise and other maritime activities. The Port Commission is the landlord under approximately 572 ground, commercial, retail, office, industrial and maritime industrial leases, including ground leases of many internationally recognized landmarks such as Fisherman's Wharf, Pier 39, The Exploratorium, the Ferry Building, and Oracle Park (home of the San Francisco Giants baseball team). The Port is different from most municipal seaport enterprises in that a majority of its revenue is derived from real estate operations (approximately 73%) and only a minority of its revenues (approximately 21%) is derived from maritime operations. The Port Commission has no taxing power.

The Port Commission's financial operations are included as a part of the City's budget and financial reporting but is separately accounted for as a City enterprise operation. Additional information concerning the Port Commission's organization and finances is set forth herein under "THE PORT OF SAN FRANCISCO," "PORT COMMISSION FINANCIAL OPERATIONS" and in APPENDIX B – "FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Authority for Issuance

The Series 2020 Bonds are being issued pursuant to Section 9.107 of the Charter of the City (the "Charter"), Chapter 43, Article XII ("Article XII") of the City and County of San Francisco Administrative Code (the "Administrative Code") and an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of February 1, 2010, between the Port Commission and the Trustee (the "First Supplemental Indenture"), a Second Supplement to Indenture of Trust, dated as of May 1, 2014 (the "Second Supplemental Indenture") and a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (the "Third Supplemental Indenture" and, together with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), and a resolution of the Port Commission adopted on October 8, 2019. The Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") approved the issuance of the Series 2020 Bonds by resolution adopted on December __, 2019.

The Bonds

The Series 2020 Bonds will be issued and delivered as one fully-registered Bond for each maturity shown on the inside cover hereof. The Series 2020 Bonds will be delivered in denominations of \$5,000 or an integral multiple thereof. Interest on the Series 2020 Bonds will be payable on each March 1 and September 1, commencing September 1, 2020, so long as any Series 2020 Bonds are outstanding (each an "Interest Payment Date"). Interest on the Series 2020 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2020 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover of this Official Statement. See "TERMS OF THE SERIES 2020 BONDS."

Parity Bonds

The Port Commission has previously issued \$36.65 million in aggregate initial principal amount of its Series 2010 Bonds, currently outstanding in the aggregate principal amount of \$29.87 million, and \$22.68 million in aggregate initial principal amount of its Series 2014 Bonds, currently outstanding in the aggregate principal amount of \$20.28 million. Following the issuance of the Series 2020 Bonds, which will result in the defeasance and redemption of the Series 2010 Bonds, the only bonds that will be secured by and payable from Net Revenue on a parity with the Series 2020 Bonds (the "Parity Bonds") will be the Series 2014 Bonds. The Port Commission currently has no other obligations outstanding that would be on a parity with the Series 2014 Bonds and the Series 2020 Bonds. In the past five fiscal years, debt service coverage on outstanding Parity Bonds averaged __ times. See PORT COMMISSION FINANCIAL OPERATIONS – Historical Debt Service Coverage."

The Port's current Ten-Year Capital Plan (as defined herein) states that no revenue bond issuances are planned in the 10-year window of the Capital Plan, however, such plans are subject to change. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Ten-Year Capital Plan."

Sources of Payment for the Bonds

The Indenture provides that the Series 2020 Bonds will be payable as to principal, premium, if any, and interest exclusively from, and will be secured by a pledge of, first lien on and security interest in Net Revenue. "Net Revenue" is defined under the Indenture to mean Revenue (as defined below) less Operation and Maintenance Expenses (as defined below). Under the Indenture, for the benefit of the Bondholders, the Port Commission also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS."

The Series 2020 Bonds will not be secured by any reserve fund.

Limited Obligations

The Series 2020 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. The Series 2020 Bonds are not a debt or obligation of the City, the State or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2020 Bonds. No Holder of a Series 2020 Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2020 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2020 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue). The Port's Net Revenues are derived mainly from rents and usage fees, reduced by Port operating and maintenance expenses, as described herein.

Continuing Disclosure

The Port Commission has agreed to provide, with respect to the Series 2020 Bonds, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), certain annual financial information and operating data relating to the Port Commission and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12, as amended (the "Rule 15c2-12") adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE."

Additional Information

Brief descriptions of the Bonds, the Indenture, the security and sources of payment for the Series 2020 Bonds, the Net Revenue, the Port Commission and certain other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds and the Indenture. Additional information regarding such reports, the Indenture or other documents relating to the Series 2020 Bonds or this Official Statement may be obtained by contacting the Manager of Communications, Port of San Francisco, Pier 1, San Francisco, CA 94111; Telephone (415) 274-0400. The Port's website is www.sfport.com. Information found on the website is not incorporated herein by reference. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee.

TERMS OF THE SERIES 2020 BONDS

General

The Series 2020 Bonds will be issued and delivered as one fully-registered Bond for each maturity shown on the inside cover hereof. The Series 2020 Bonds will be delivered in denominations of \$5,000 or an integral multiple thereof. Interest on the Series 2020 Bonds will be payable on each March 1 and September 1, commencing September 1, 2020, so long as any Series 2020 Bonds are outstanding (each an "Interest Payment Date"). Interest on the Series 2020 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2020 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover of this Official Statement. The principal of the Series 2020 Bonds will be payable, subject to redemption, as described below, on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Book-Entry System

The Series 2020 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," together with any successor securities depository, the "Securities Depository"). DTC will act as initial Securities Depository for the Series 2020 Bonds. Purchases of the Series 2020 Bonds will be made in book-entry form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Series 2020 Bonds. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners of the Series 2020 Bonds will mean Cede & Co., and will not mean the Participants or "Beneficial Owners" of the Series 2020 Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a Participant (as defined herein) acquires an interest in the Series 2020 Bonds.

So long as Cede & Co. is the registered owner of the Series 2020 Bonds, all payments of principal, premium (if any) and interest on the Series 2020 Bonds will be payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee of DTC as the sole registered owner of the Series 2020 Bonds. DTC and its Participants are solely responsible for any subsequent payments to the Beneficial Owners. See APPENDIX C – "BOOK-ENTRY SYSTEM."

Redemption Provisions*

Optional Redemption of Series 2020A Bonds. The Series 2020A Bonds scheduled to mature on or before March 1, 20__ are not subject to optional redemption prior to maturity. The Series 2020A Bonds maturing on or after March 1, __ shall be subject to redemption as a whole or in part among such maturities as designated by the Port Commission (and by lot within any one maturity) prior to their respective maturity dates, at the option of the Port Commission, on any date on or after March 1, __, from funds derived by the Port Commission from any legally available source, at redemption prices equal to the principal amount to be redeemed, together with interest accrued thereon to the date of redemption, without premium.

No Optional Redemption of Series 2020B Bonds. The Series 2020B Bonds are not subject optional redemption prior to their maturity.

Mandatory Sinking Fund Redemption of Series 2020A Bonds. The Series 2020A Bonds maturing on _____ 1, 20__ are subject to redemption prior to their stated maturity date in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon, on March 1 in each of the years in the following amounts:

* Preliminary, subject to change.

**Mandatory Sinking
Fund Payment Date
March 1**

**Sinking Fund
Payment**

* Maturity

Mandatory Sinking Fund Redemption of Series 2020B Bonds. The Series 2020B Bonds (the "Series 2020B Term Bonds") maturing on ____, 20__ shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing on the dates specified below, solely from money which has been deposited into the Series 2020 Principal Account in amounts and upon the dates hereby established for such Series 2020B Term Bonds, as follows:

**Mandatory Sinking
Fund Payment Date
March 1**

**Sinking Fund
Payment**

* Maturity

The Series 2020B Bonds maturing on ____, 20__ shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing on the dates specified below, solely from money which has been deposited into the Series 2020 Principal Account in amounts and upon the dates hereby established for such Series 2020B Term Bonds, as follows:

**Mandatory Sinking
Fund Payment Date
March 1**

**Sinking Fund
Payment**

* Maturity

Notice of Redemption. The Trustee is required to send a notice of redemption to the Owners of the Series 2020 Bonds selected for redemption not less than 30 nor more than 60 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2020 Bond to be redeemed, to the Holder of such Series 2020 Bond at his or her address as it appears on the records maintained by the Registrar, and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities (currently the EMMA System of the Municipal Securities Rulemaking Board), as directed by the Port Commission. However, so long as any Series 2020 Bonds are in book-entry form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2020 Bonds, and not directly to the Owners. If less than all Series 2020 Bonds of a Series are to be redeemed, the Series 2020 Bonds to be redeemed will be identified by reference to the Series designation, date of issue, serial numbers and maturity dates. Each notice of redemption will specify: (i) the date of such notice and the date fixed for redemption, (ii) the principal amount of Series 2020 Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, will be made upon presentation and surrender to the Trustee of the Series 2020 Bonds to be redeemed, (vi) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (vii) that on and after said date interest on the Series 2020 Bonds called for redemption will cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Series 2020 Bonds to be redeemed and, if less than the face amount of any such Series 2020 Bond is to be redeemed, the Principal Amount to be redeemed. Neither the failure to receive any redemption notice nor any defect in such redemption notice so given will affect the sufficiency of the proceedings for such redemption of the Series 2020 Bonds.

Requirements of Optional Redemption. The Port Commission will deposit with, or otherwise make available to, the Trustee the moneys required for payment of the redemption price of all Series 2020A Bonds then to be called for redemption at least one Business Day before the date fixed for such redemption. The Indenture permits delivery of a notice of redemption that is conditional on receipt of funds. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2020A Bonds then called for redemption, and such cancellation does not constitute an Event of Default under the Indenture.

Effect of Notice of Redemption. When a notice of redemption has been duly given as provided in the Indenture and sufficient moneys for the redemption of the Series 2020A Bonds selected for redemption, together with accrued interest to such redemption date are held by the Trustee; then, from and after such redemption date, interest on the Series 2020A Bonds selected for redemption will cease to accrue, and all such Series 2020A Bonds will cease to be entitled to any benefit or security under the Indenture, except for the right of the Owners to receive payment of the redemption price thereof.

PLAN OF REFUNDING

[TO COME]

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Series 2020 Bonds are expected to be applied approximately as set forth below:

	Series 2020A (Non-AMT Tax-Exempt)	Series 2020B (Federally Taxable)	Total ⁽¹⁾
<i>Sources</i>			
Par Amount	\$	\$	\$
Plus [Net] Premium/Discount	_____	_____	_____
<i>Total Sources of Funds</i>	\$	\$	\$
<i>Uses</i>			
Deposit to Escrow Fund	\$	\$	\$
Deposit to Delivery Costs Fund	_____	_____	_____
Underwriters' Discount	\$	\$	\$
<i>Total Uses of Funds</i>	_____	_____	_____

DEBT SERVICE SCHEDULE

Set forth below are the annual principal, interest and total debt service requirements for the Series 2020 Bonds, the Series 2014 Bonds, and subordinate obligations of the Port Commission, assuming scheduled maturities and no optional redemptions:

Fiscal Year Ending June 30	Series 2014 Bonds	Series 2020A Bonds		Series 2020B Bonds		Total Parity Bonds	Subordinate Obligations ⁽¹⁾	Total Debt Service ⁽²⁾
		Principal	Interest	Principal	Interest			
2019	\$1,329,681						\$2,965,348	
2020	1,327,981						2,962,248	
2021	1,329,181						2,966,598	
2022	1,330,181						2,962,598	
2023	1,330,381						2,965,598	
2024	1,329,631						2,225,098	
2025	1,327,631						2,228,098	
2026	1,329,381						2,224,098	
2027	1,329,631						2,223,348	
2028	1,328,381						2,223,460	
2029	1,330,631						2,226,176	
2030	1,331,131						1,994,575	
2031	1,329,881						1,992,075	
2032	1,329,481						1,991,950	
2033	1,327,881						1,993,938	
2034	1,330,081						1,992,775	
2035	1,330,881						1,991,525	
2036	1,330,281						1,994,063	
2037	1,327,125						1,989,725	
2038	1,327,525						1,992,275	
2039	1,331,275						1,991,500	
2040	1,328,169						1,993,500	
2041	1,328,413						1,991,500	
2042	1,331,800						1,995,500	
2043	1,328,125						1,995,000	
2044	1,327,594						-	
2045	-						-	
2046	-						-	
2047	-						-	
2048	-						-	
TOTAL⁽²⁾	\$34,562,334						\$68,320,907	

⁽¹⁾ Consists of certain long-term obligations of the Port Commission that are secured and payable on a subordinate basis to the Series 2020 Bonds, the Series 2014 Bonds and the Series 2010 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS – Additional Bonds and Other Obligations."

⁽²⁾ Totals may not add up due to independent rounding of individual components.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Pledge of Net Revenue Under the Indenture

The Series 2020 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. The Series 2020 Bonds are not a debt or obligation of the City, the State or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2020 Bonds. No Holder of a Series 2020 Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2020 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2020 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue).

The Indenture provides that the Series 2020 Bonds will be payable as to principal, premium, if any, and interest exclusively from, and will be secured by a pledge of, first lien on and security interest in Net Revenue. "Net Revenue" is defined under the Indenture to mean Revenue (as defined below) less Operation and Maintenance Expenses (as defined below). Under the Indenture, for the benefit of the Bondholders, the Port Commission also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

"Revenue" is defined under the Indenture to include all revenue earned by the Port Commission from or with respect to its management, supervision, operation and control of the Port Area, as determined in accordance with generally accepted accounting principles. To the extent permitted by law and designated as Revenues in a Supplemental Indenture, Revenue will include revenues available to the Port Commission from any infrastructure financing district established pursuant to Chapter 2.8 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California or a similar law ("IFD Revenues"). Revenue will not include: (a) Special Facility Revenue (as described herein) and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenue by the Port Commission, (b) grants-in-aid, donations and/or bequests, which by their terms would be restricted to uses inconsistent with the purposes provided hereunder, or (c) IFD Revenues unless designated by the Port Commission as Revenues in a Supplemental Indenture.

Notwithstanding the foregoing, under the Indenture, Special Facilities Revenues and IFD Revenues are not included in the Revenues pledged to Bonds. The Port has formed infrastructure financing districts on property within the Port's jurisdiction and does not expect to designate any IFD Revenues as Revenues for purposes of the Indenture. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Port Legislative Efforts."

The Port Commission has designated three areas in its jurisdiction as "Special Facilities". See "– Additional Bonds and Other Obligations – Special Facilities and Special Facility Bonds" below and "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Impact of Dissolution of Redevelopment Agencies."

"Operation and Maintenance Expenses" is defined under the Indenture to mean, for any period, all expenses of the Port Commission incurred for the operation and maintenance of the Port Area, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses do not include: (a) the principal of, premium, if any, or interest (including capitalized interest) on any Bonds, Subordinate Bonds, general obligation bonds or certificates of participation issued by the City for Port Area purposes or other Port Commission indebtedness; (b) any allowance for amortization, depreciation or obsolescence of the Port Area; (c) any expense for which, or to the extent to which, the Port Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenue, including, but not limited to, Special Facility Revenue; (d) any extraordinary items arising from the early extinguishment of debt; (e) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Port Area which, under generally accepted accounting principles, are properly chargeable to the capital account or any reserves for depreciation; (f) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Port Area properties; (g) items that are unusual or unrelated to the Port Commission's ordinary activities and would occur

infrequently, including but not limited to litigation settlements or awards or other items not included in the annual budget or non-cash items paid over a number of years; (h) non-cash expenses arising from pension and post-employment pension benefits; and (i) dredging costs.

Application of Revenue Under the Charter and Indenture

Under the Charter and the Indenture, all Revenue as received is required to be set aside and deposited by the Treasurer of the City in the San Francisco Harbor Trust Fund (the "Enterprise Fund"). The Charter provides that moneys in the Enterprise Fund will be applied by the City Treasurer for the following purposes in the following order of priority:

(1) for the payment of maintenance and operating expenses, pension charges and proportionate payments to such compensation and other insurance and accident reserve funds as the Port Commission may establish or the Board of Supervisors may require;

(2) for the payment of principal, interest, reserve funds, sinking funds, and other funds established for the benefit of any forms of indebtedness issued or undertaken by or on behalf of the Port Commission for any purpose authorized under the Charter, including, but not limited to, revenue bonds, general obligation bonds, Infrastructure Financing District bonds, certificates of participation, lease revenue bonds, commercial paper, variable rate demand notes, auction rate securities, bond anticipation notes and other evidences of indebtedness;

(3) for capital improvements to, and reconstruction and replacement of, the properties, equipment and facilities of the harbor; and

(4) to establish a reserve, surplus or sinking fund for harbor operations, capital improvements, reconstruction, and replacement of equipment or facilities used in connection thereto as the Port Commission may establish.

In addition to the priorities established under the Charter, the Indenture provides that moneys in the Enterprise Fund will be applied by the Treasurer for the following purposes and in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(1) *Operation and Maintenance Expenses.* An amount equal to the Operation and Maintenance Expenses as the same become due;

(2) *Debt Service Fund Transfer.* An amount equal to the requirements described below will be transferred and applied by the Treasurer for the purposes described herein:

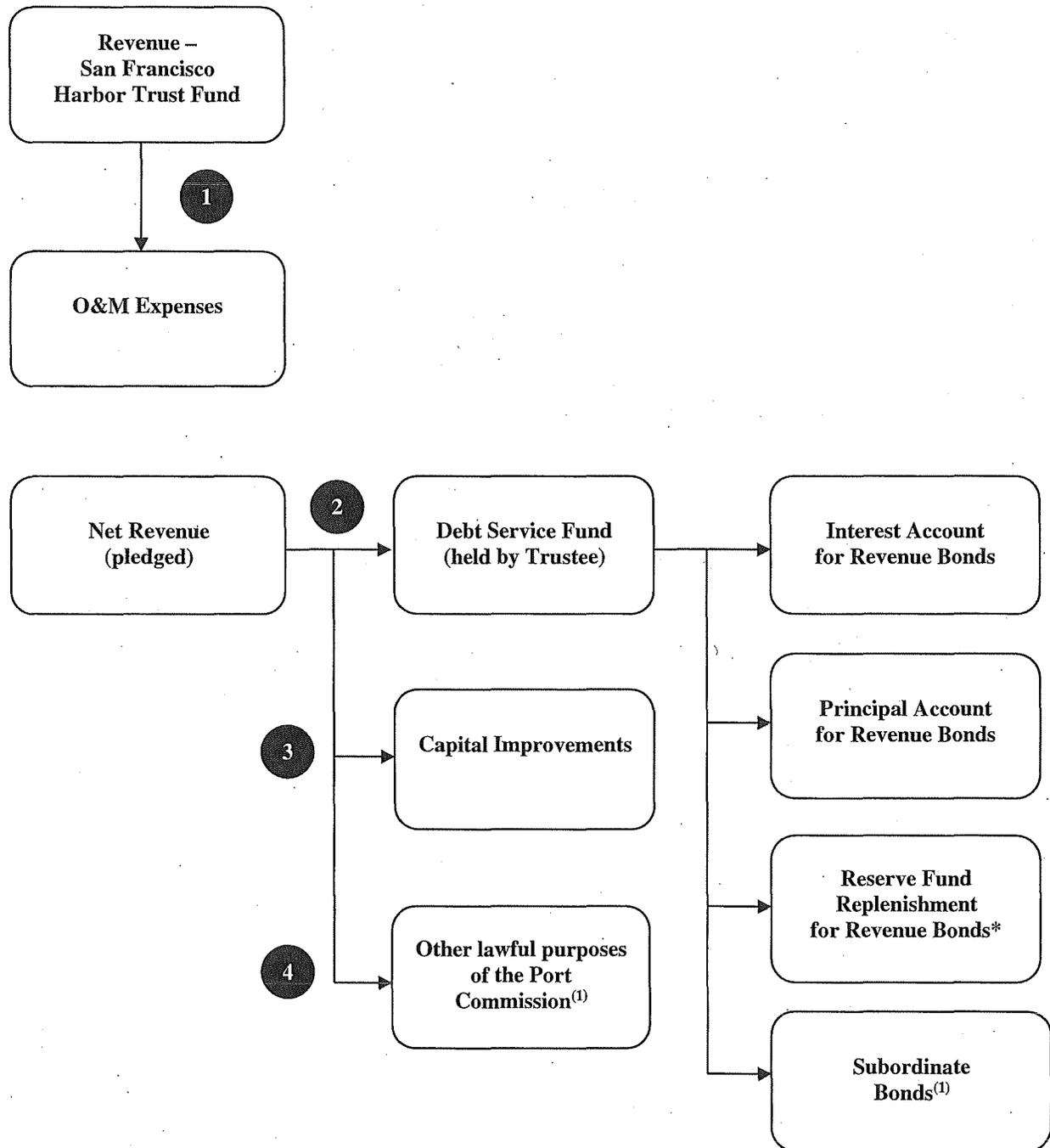
(i) first, to the Trustee for deposit in the Debt Service Fund, the amount necessary to make all payments and deposits required to be made into the Debt Service Fund and the Reserve Fund with respect to the payment of Bonds (as further described below) and the payment or reimbursement of a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indentures with respect thereto (in addition, if and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds); and

(ii) second, to pay directly or to make all payments and deposits required to be made into any funds and accounts created to pay or secure the payment of the Principal Amount or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof; and

(3) *General Purposes.* Any amounts remaining after the applications pursuant to paragraphs (1) and (2) above will be used for any lawful purpose of the Port Commission and in accordance with all relevant provisions of the Charter.

Flow of Funds

The following is a graphic presentation summarizing the flow of funds under the Charter and the Indenture (as described above) for Port Revenue. The numbers indicate the order of priority in the flow of funds. The Port has not deposited any moneys into the Revenue Stabilization Fund to date, but may do so in the future.



⁽¹⁾ The Port Commission has certain obligations that are secured and payable on a subordinate basis to the Series 2020 Bonds and the 2014 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – Additional Bonds and Other Obligations.”

*The 2020 Bonds are not additionally secured by a Reserve Fund.

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture will be invested upon receipt in Permitted Investments as directed by the Port Commission. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Series 2020 Bonds. See APPENDIX D – “SUMMARY OF THE LEGAL DOCUMENTS – THE MASTER INDENTURE – Funds – Investment of Moneys.” For information regarding the investment of moneys held in the various funds and accounts of the Port Commission, see “PORT COMMISSION FINANCIAL OPERATIONS – Investment Policy and Investments.”

Covenant to Maintain Net Revenue

Under the Indenture, the Port Commission covenants that it will manage its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each Fiscal Year will be at least equal to 130% of Annual Debt Service for such Fiscal Year. In determining Net Revenue pursuant to the provisions of the Indenture described in this paragraph, the Port Commission may take into account as a credit the amount on deposit in the Revenue Stabilization Fund on June 30 of each Fiscal Year; provided that the Port Commission is required to maintain Coverage equal to at least 100% without regard to any credit for any such amounts or deposits in the Revenue Stabilization Fund. The Port has not deposited any moneys into the Revenue Stabilization Fund to date, but may do so in the future.

The Port Commission also covenants that if Net Revenue as of the end of any Fiscal Year is less than the amount described in the paragraph above, the Port Commission will retain and direct a Port Consultant to make recommendations as to the revision of the Port Commission’s business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area and will take such recommendations into account for future budgets and management. In the event that Net Revenue as of the end of any Fiscal Year is less than the amount described above, but the Port Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise its business operations and/or its schedule of rentals, rates, fees and charges as required by the Indenture, such deficiency in Net Revenue will not constitute an Event of Default under the Indenture. Nevertheless, if after taking the measures required by the Indenture to revise its business operations and/or its schedule of rentals, rates, fees and charges, Net Revenue in such next succeeding Fiscal Year (as evidenced by the audited financial statements of the Port Commission for such Fiscal Year) is less than the amount described above, such deficiency in Net Revenue will constitute an Event of Default. For a description of the Events of Default and available remedies to Bondholders in an Event of Default. See APPENDIX D – “SUMMARY OF THE LEGAL DOCUMENTS – THE MASTER INDENTURE – Default and Remedies.” See “CERTAIN RISK FACTORS” herein for a description of certain risk factors that could adversely affect the ability of the Port Commission to maintain Net Revenue as required by the Indenture.

Additional Bonds and Other Obligations

Pursuant to the Indenture, the Port Commission is permitted to issue additional bonds and to enter into additional obligations secured by Net Revenue on parity with the payment of principal of and interest on the Series 2020 Bonds, provided that the conditions described below are satisfied. Under the Charter, no voter approval is required with respect to revenue bonds or other obligations authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues.

All Bonds issued under the Indenture and at any time outstanding will be equally and ratably secured with all other outstanding Bonds, with the same right, lien, preference and priority with respect to Net Revenue, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Series 2020 Bonds or otherwise. All Bonds of a particular Series will in all respects be equally and ratably secured and will have the same right, lien and preference established under the Indenture for the benefit of such Series of Bonds including, without limitation, rights in any related project fund and/or delivery costs fund, debt service fund or reserve fund. Notwithstanding the foregoing, amounts drawn under a Credit Facility with respect to particular Bonds and all other amounts held in funds or accounts established with respect to particular Bonds pursuant to the Indenture and of any Supplemental Indenture will be applied solely to make payments on such Bonds.

Additional Bonds. Under the Master Indenture, the Port Commission is permitted to issue additional Series of Bonds subject to certain conditions. These conditions include, among other things, submission to the Trustee of a report of the Port Commission demonstrating that for the period from and including the first full Fiscal Year following the issuance of such additional Series of Bonds during which no interest on such additional Series of Bonds is expected to be paid from the proceeds thereof through and including the later of (A) the fifth full Fiscal Year following the issuance of such additional Series of Bonds or (B) the third full Fiscal Year during which no interest on such additional Series of Bonds is expected to be paid from the proceeds thereof, projected Net Revenue in each such Fiscal Year will be at least sufficient to satisfy the rate covenants set forth in the Indenture. See "Covenant to Maintain Net Revenue" above.

In determining projected Net Revenue for purposes of the report of the Port Commission described in the paragraph above, the Port Commission may take into account any reasonably anticipated changes in Revenue and Operation and Maintenance Expenses over such period, which assumed changes and the basis therefor will be described in the calculations provided by the Port Commission. In determining Annual Debt Service for such purposes, (i) Bonds that will be paid or discharged immediately after the issuance of the additional Series of Bonds proposed to be issued from the proceeds thereof or other moneys will be disregarded, and (ii) Variable Rate Bonds, Amortized Bonds and variable rate Interest Rate Swaps will generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of 125% of the average Index Rate (*i.e.*, generally defined under the Indenture as the SIFMA Municipal Swap Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Bonds or Interest Rate Swaps. The Port Commission may also take into account as a credit amounts expected to be on deposit in the Revenue Stabilization Fund on June 30 of each Fiscal Year; provided that the Port Commission is required to maintain Coverage under the provisions of the Indenture summarized above under "Covenant to Maintain Net Revenue" equal to at least 100% without regard to any credit for any such amounts on deposit in the Revenue Stabilization Fund.

The Indenture also permits the Port Commission to issue additional Series of Bonds for the purpose of refunding any Bonds or Subordinate Bonds on or prior to maturity. The Port Commission currently does not plan to issue additional Series of Bonds to fund various capital projects; however, this is subject to change in the future. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Ten-Year Capital Plan."

Subordinate Obligations. The Port Commission has a loan from the California Department of Parks and Recreation's Division of Boating and Waterways ("Cal Boating"), in the initial principal amount of \$3.50 million (and currently outstanding in the aggregate principal amount of \$1.83 million). This loan is secured by a lien on certain marina revenues but such loan is expressly subordinate to the Series 2020 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – Application of Revenue Under the Charter and Indenture" and "– Flow of Funds."

In October 2013, the City caused the execution and delivery of certificates of participation in the aggregate initial principal amount of \$37.70 million (and currently outstanding in the aggregate principal amount of \$30.01), for the purpose of financing and refinancing capital improvements to certain facilities owned by the Port. Pursuant to a memorandum of understanding between the Port Commission and the City, the Port Commission has agreed, during the term of certificates of participation, to pay the principal and interest with respect to the certificates of participation. The Port's payment obligations with respect to the certificates of participation are unsecured by any lien on Port revenues or property and are expressly subordinate to the Bonds. The Port's Pier 27 facilities are the leased property under a lease relating to the certificates of participation; however, the lease is an obligation payable from the City's General Fund and the lease does not provide for a remedy of re-entering and re-leasing the leased property in the event of a default.

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the Port Commission and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Reserve Fund) may be accorded the status of an obligation payable on a parity from Net Revenue with the Series 2020 Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the Port Commission and a Swap Counter Party, a Swap Payment may be accorded the status of an obligation payable on a parity from Net Revenue with the Series 2020 Bonds for purposes of securing such obligation to make Swap Payments under the Indenture. The Port Commission currently does not have any outstanding Interest Rate Swap.

Special Facilities and Special Facility Bonds. The Port Commission from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Port Area or part of any facility or structure at the Port Area as a “Special Facility,” (b) provide that revenues earned by the Port Commission from or with respect to such Special Facility will constitute “Special Facility Revenue” and will not be included as Revenue, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds will be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Net Revenue. The Port Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds may be issued by the Port Commission unless there has been filed with the Trustee (i) a certificate of the Port Commission to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws, and (iii) a report of the Port Commission providing the following calculations:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same becomes due, all costs of operating and maintaining such Special Facility to be paid by the Port Commission, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and

(b) the estimated Net Revenue, calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses, that will be sufficient so that the Port Commission will be in compliance with the rate covenant under the Indenture (see “Covenant to Maintain Net Revenue” above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility may be included as Revenue as determined by the Commission in a Supplemental Indenture or certificate of an Authorized Commission Representative delivered to the Trustee.

The Port Commission has designated three properties in its jurisdiction as “Special Facilities” in compliance with the Indenture:

1. South Beach Harbor Special Facility. By Resolution No. 15-04 (adopted on February 10, 2015, the Port Commission designated the South Beach Harbor (a 700-slip small boat marina harbor) as a Special Facility and three loans from Cal Boating as Special Facility Bonds, effective April 30, 2019. As a result, net revenues generated by South Beach Harbor are not be available as security for holders of the Port’s revenue bonds; and, likewise, Cal Boating does not have access to the Port’s general revenues as a source of security for their loans. See “PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Impact of Dissolution of Redevelopment Agencies.”
2. Pier 70 Special Use District Special Facility. FC Pier 70, LLC, a Delaware limited liability company (“Pier 70 Master Developer”) and the City, acting by and through the Port Commission, are parties to a Disposition and Development Agreement (“Pier 70 DDA”), including a Financing Plan (“Pier 70

Financing Plan”), that governs the disposition and development of approximately 28 acres of land in the Commission’s jurisdiction known as Pier 70 (“Pier 70 Project Site”).

The Pier 70 Project Site is part of the Pier 70 Special Use District (the “Pier 70 SUD”) established by Planning Code section 249.79, which incorporates the zoning and other land use controls applicable to the Pier 70 Project Site and adjoining parcels.

In the Pier 70 Financing Plan, the Port Commission (A) designated the Pier 70 SUD as a Special Facility, (B) declared revenues from and with respect to the Pier 70 SUD to be Special Facility Revenue pledged to pay Special Facility Revenue Bonds and (C) declared that the Commission revenues from and with respect to the Pier 70 SUD are not “Revenue” subject to and as defined in the Indenture.

3. Mission Rock Project Site Special Facility. Seawall Lot 337 Associates, LLC, a Delaware limited liability company (“Mission Rock Master Developer”) and the City, acting by and through the Commission, are parties to a Disposition and Development Agreement (“Mission Rock DDA”), including a Financing Plan (“Mission Rock Financing Plan”), that governs the disposition and development of an area consisting of Seawall Lot 337, 3.53 acres of Terry A. Francois Boulevard from Third Street to Mission Rock Street, and ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 (“Mission Rock Project Site”).

In the Mission Rock Financing Plan, the Port Commission (A) designated the Mission Rock Project Site as a Special Facility, (B) declared that the Port Commission revenues from and with respect to the Mission Rock Project Site to be Special Facility Revenue pledged to pay Special Facility Revenue Bonds and (C) declared that the Commission revenues from and with respect to the Mission Rock Project Site are not “Revenue” subject to and as defined in the Indenture.

Subordinate Bonds. Under the Indenture, the Port Commission may issue at any time obligations with a pledge of, lien on, and security interest in Net Revenue which are junior and subordinate to those of the Series 2020 Bonds (“Subordinate Bonds”). Under the Charter, no voter approval is required with respect to revenue bonds or other obligations authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues. See “– Additional Bonds” above. The principal and purchase price of and interest, redemption premium and reserve fund requirements on such Subordinate Bonds are payable from time to time out of Net Revenue only if all amounts then required to have been paid or deposited under the Indenture from Net Revenue with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the Series 2020 Bonds and any other Series of Bonds then Outstanding has been paid or deposited as required in the Indenture. The Port has certain long-term obligations outstanding which constitute “Subordinate Bonds” as defined under the Indenture and/or which are otherwise subordinate to the Series 2020 Bonds. See “– Subordinate Obligations” above.

THE CITY

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). According to the State Department of Finance, the City’s population as of January 1, 2019 was 883,869. The City is located at the northern tip of the San Francisco Peninsula, generally bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO.”

THE PORT OF SAN FRANCISCO

Introduction and Overview

General. The State transferred the Port to the City in 1969 pursuant to California Statutes of 1968, Chapter 1333 ("Burton Act"). The Burton Act and related Transfer Agreement require the City to manage the Port in trust for the State consistent with public trust laws, including limitations on the uses of Port property to those that are water-dependent or water-related, but not necessarily revenue-generating, such as commerce, industry, fisheries, navigation, environmental preservation and recreation. In addition, the Burton Act requires the City to use all of the revenues generated from Port property to operate, maintain and develop the Port. See "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement."

The Port Commission was established to govern the Port pursuant to the Charter and the Burton Act. The mission of the Port Commission is to promote a balance of recreational, industrial, maritime, transportation, public access and commercial activities on a self-supporting basis through appropriate management and development of the waterfront for the benefit of the public.

Jurisdiction and Operations. The Port's jurisdiction consists of seven and one-half miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the north to India Basin in the south, including more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. The Port Commission controls, manages and leases approximately 89% of the land in the Port area. Among ports, the Port has one of the most diverse mixes of types of businesses in the nation. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursions, professional sports, bulk and breakbulk cargo and cruise ship calls. To support these operations, the Port Commission owns or has responsibility for the maintenance of certain capital assets, including 39 pile-supported pier structures, 80 substructures (of both piers and wharves between piers), 245 commercial and industrial buildings, over three miles of streets and sidewalks, and elements of the utility infrastructure that support them, as well as drydocks, cargo cranes and heavy equipment used by the Port's maintenance division.

The Port Commission is the landlord under approximately 533 ground, commercial, retail, office, industrial and maritime industrial leases, including ground leases of many internationally recognized landmarks such as Fisherman's Wharf, Pier 39, The Exploratorium, the Ferry Building, and Oracle Park (home of the San Francisco Giants baseball team).

Port Finances. Port operating revenues, which totaled approximately \$109.8 million in Fiscal Year 2017-18, were derived primarily from real estate and maritime operations. Real estate revenues, which are made up of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, represented approximately 72.6% of Port operating revenues in Fiscal Year 2017-18. Maritime revenues, which are derived from cargo shipping (dry and liquid bulk cargo, and break bulk cargo), passenger cruise ship and ferryboat activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities, comprised approximately 21.3% of Port operating revenues in Fiscal Year 2017-18. See Table 12 under "PORT COMMISSION FINANCIAL OPERATIONS" and also "PORT REAL ESTATE OPERATIONS" and PORT MARITIME OPERATIONS."

The use of Port property and facilities, the rehabilitation and development of its assets, and its operations are all subject to a number of constraints. The constraints within which the Port Commission must operate include those imposed by the Waterfront Land Use Plan, the San Francisco Bay Conservation and Development Commission (through its Seaport and Special Area Plans), the California Environmental Quality Act and other State environmental regulations, the California State Lands Commission (interpreting public trust law), the Burton Act, the Transfer Agreement, the Board of Supervisors, the San Francisco Charter and Administrative Codes, federal regulation, Port tenants, and community interest groups. Certain Port piers, buildings and other structures are also subject to additional regulations due to their historic significance. See "PORT COMMISSION FINANCIAL OPERATIONS."

Port Capital Plan. Most capital assets comprising the Port range from 50 to 100 years old, were constructed for use in the cargo shipping industry as it existed at the time of original construction and are reaching the end of their useful lives. When the State transferred responsibility for the Port to the City, the Port capital assets were already in a state of disrepair. Of the 39 piers currently in use by the Port Commission or Port tenants, 10 have been significantly rehabilitated since 1969. The piers that were structurally sound at the time of transfer were only marginally productive because containerized shipping was already replacing breakbulk (e.g., bagged, boxed, crated or palletized) shipping as the primary mode of cargo shipping at that time. Containerized shipping requires significant acreage of land and access to rail and truck transportation facilities that the Port lacks given its proximity to the City's dense urban environment. Therefore, the Port Commission has transitioned Port facilities from primarily cargo-serving uses to mixed uses including more non-cargo related maritime uses, retail, restaurants, and office space. The Port's Capital Plan and development strategy attempt to address some of the foregoing issues. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

Port Commissioners

The Port Commission governs the Port. The five Port Commissioners, appointed by the Mayor and subject to confirmation by the Board of Supervisors of the City, serve four-year terms and elect, from the members of the Port Commission, the Port Commission President and Vice President to one-year terms. Through resolutions and directives, the Port Commission sets policy for the Port.

The current members of the Port Commission and the appointment and expiration dates of their terms are:

<u>Name and Title</u>	<u>Occupation</u>	<u>Originally Appointed</u>	<u>Term Expires</u>
Kimberly Brandon, President	Financial Services	August 1997	May 2021
Willie Adams, Vice President	President of the International Longshore & Warehouse Union	July 2012	May 2022
Doreen Woo Ho	Retired Banking Executive. Member of the Board of Directors of U.S. Bancorp	May 2011	May 2022
Gail Gilman	Non-Profit Organization Executive	April 2018	May 2022
Victor G. Makras	Real Estate and Property Management	April 2018	May 2020

Executive Director and Senior Management

The policies set by the Port Commission are implemented by the Port's Executive Director and staff. The Executive Director serves as chief executive of the Port, is appointed by the Mayor, serves at the pleasure of the Port Commission, and is charged with the management of all the offices and activities placed under the jurisdiction of the Port Commission. The staff of the Port Commission is organized into the following divisions: Maritime; Real Estate and Development; Planning and Environment; Engineering; Maintenance; and Finance and Administration. In addition, the Executive Director oversees the Executive Division functions for Public Relations, Homeland Security and the Seawall and Resiliency Program.

Elaine Forbes, Executive Director. Elaine Forbes leads the Port to manage the waterfront as the gateway to a world-class city and advances environmentally and financially sustainable maritime, recreational, and economic opportunities to serve the City, Bay Area region, and California. At the recommendation of the Port Commission, Mayor Edwin Lee appointed Elaine Forbes as Executive Director of the Port on October 12, 2016. Elaine is one of ten women Port Directors in the United States. Before her appointment as Executive Director, she served as Deputy Director for Finance and Administration for the Port for six years. Prior to joining the Port, Elaine held executive

management and leadership positions at both the San Francisco Planning Department and the San Francisco International Airport. She also worked for the San Francisco Board of Supervisors Budget Analyst's Office providing fiscal and policy analysis and evaluating and reporting on complex municipal issues. Before beginning her tenure with the City and County of San Francisco in 2000, she worked as a redevelopment agency planner for the City of Oakland. She also has worked for several non-profit land use policy and economic development organizations including the Urban Strategies Council and the California Budget Project. Elaine holds a Master's degree with honors from the University of California, Los Angeles in Community and Economic Development, as well as a Bachelor of Arts degree with honors from Mills College in Oakland. She is also a member of the Phi Beta Kappa Society.

Katharine E. Petrucione, Deputy Director of Finance and Administration. Katharine Petrucione is the Deputy Director of Finance and Administration of the Port of San Francisco. She is responsible for managing the finance and administrative functions of the Port including human resources, information technology, building services, accounting, finance and procurement and contracting and oversees 40 employees. Prior to joining the Port, Katharine worked for the Recreation and Park Department from 2004 until 2017, completing 13 budgets during her time with the Department. Under her leadership, the Recreation and Park Department crafted Proposition B, a Charter Amendment which provides a funding baseline for the Department and allows at least \$15 million in annual funding to address deferred maintenance in San Francisco parks. Prior to her employment at the Recreation and Park Department, she held positions in the Mayor's Office of Finance and Legislative Affairs and in the Office of the Honorable Barbara Kaufman, a member of the Board of Supervisors. Before her tenure with the City, Katharine worked in the private sector as a paralegal and a political fundraiser from 1991 to 1997. Katharine holds a Bachelor of Arts from Pomona College and a Master of Public Affairs degree from the University of Texas.

Byron A. Rhett, Chief Operating Officer. Byron A. Rhett is the Chief Operating Officer and directs the Port's Maritime, Real Estate and Development divisions, and the Homeland Security department. As COO, he manages day-to-day operations and strategic leasing of the over 20 million square feet of port real estate assets. Before being appointed COO, Byron was Deputy Director of Planning and Development for the Port. He was responsible for overseeing all planning and development activities at the Port, including the implementation of large scale, mixed-use commercial, recreational and industrial projects. He managed planning, design and implementation of an estimated \$1 billion in waterfront projects, including the restoration of the historic Ferry Building and the Exploratorium at Piers 15-17. Prior to joining the Port, Byron was a senior project manager for the San Francisco Redevelopment Agency managing the Hunters Point Shipyard project and nearby Bayview Hunters Point neighborhood development projects as well as the Western Addition A-1 and A-2 projects. Previously, he worked as a planner for the City of Newark, New Jersey, the Newark Watershed Conservation and Development Corporation and Special Assistant to the City Manager of Kansas City, Missouri. Byron holds a Bachelors' Degree in Urban Planning and Design from the University of Cincinnati and is a National Urban Fellow at Occidental College.

Thomas Carter, Deputy Director of Maintenance. Tom Carter joined the Port of San Francisco's executive team in December 2004 as Deputy Director, Maintenance. He is responsible for directing and managing maintenance services for approximately 20 million square feet of Port facilities along 7.5 miles of waterfront property. He provides the overall planning, direction, management and evaluation of services for the Port's Maintenance Division. The Maintenance Division, the largest Port Division, has a staff of over 100 personnel representing 19 skilled crafts, including carpenters, divers, electricians, gardeners, pile drivers, roofers, plumbers, laborers and others. Tom has over twenty years of public sector operations experience. Prior to joining the Port in 2004, he held various key operation positions for the Department of Public Works and the Department of Parking and Traffic. Tom studied Business Administration at the University of Southern Maine.

Andre Coleman, Maritime Director. Andre Coleman is responsible for the strategic oversight and implementation of the Port's maritime portfolio including assets, services, operations, and labor and client relations for the 7.5 miles of San Francisco waterfront that extends from Fisherman's Wharf to Islais Creek. Andre was previously the Northern California Area Associate Director for the Pacific Maritime Association and worked at the

Ports America Outer Harbor and APM Terminals. He holds a Bachelor of Science in Business Administration and Economics from Saint Mary's College of California.

Rod Iwashita, Chief Harbor Engineer. Rod is responsible for developing, planning and directing the work of the Port's Engineering Division, which oversees several major functions including building and encroachment permits, engineering and architectural design, facilities assessment, construction management, and project management. Additionally, he is responsible for developing regulatory procedures, overseeing Port plan checking and inspection and providing building code interpretations. His expertise is in seismic analysis and retrofit design of piers and wharves, development of waterfront sites and inspection and rehabilitation of marine structures. Prior to joining the Port, Rod served as a Supervisory Engineer with Moffatt & Nichol, a global infrastructure advisory firm. In this capacity, he was responsible for supervising structural engineers; project development and management with an emphasis on structural and seismic engineering of piers and wharves; inspection and rehabilitation of structures; mooring and berthing analyses and advanced structural analysis. Rod holds a Master of Science and a Bachelor of Science degree from the University of California, Berkeley.

Michael J. Martin, Deputy Director of Real Estate and Development. Michael Martin is responsible for the strategic oversight of the Port's diverse portfolio of real estate assets and development along the 7.5 miles of San Francisco's waterfront that extends from Fisherman's Wharf to Bayview/Hunters Point. He manages all aspects of the Port's property, multi-tenanted portfolio of commercial, industrial, and retail properties and provides high-level direction on strategic real estate and development initiatives, goals and objectives. Prior to his appointment at the Port, he worked for the Office of Economic and Workforce Development ("OEWD") from 2011 to 2017. During his tenure with OEWD, he oversaw complex development projects including Mission Rock and Pier 48, the Southern Bayfront Strategy and the 34th America's Cup Regatta on San Francisco Bay. Before his employment at the OEWD, he held management positions at the San Francisco Public Utilities Commission and served as lead public finance deputy in the City Attorney's Office. He holds a Juris Doctor degree from The George Washington University Law School, and a Bachelor of Arts degree in Economics from the University of Notre Dame.

Diane Oshima, Deputy Director of Planning and Environment. Diane Oshima is the Deputy Director of Planning and Environment for the Port of San Francisco. She began her career with the Port in 1998. Diane and her team are responsible for managing land use planning and policy for Port facilities supporting ten maritime industries and a diverse mix of industrial, commercial, recreational and public activities along a vibrant urban waterfront. Her team has expertise in historic preservation, environmental protection and sustainability, waterfront urban design and open space planning, implementation and regulatory compliance. She oversees 20 employees. Before joining the Port of San Francisco, Diane worked for the San Francisco Planning Department for 17 years and oversaw many development, area plan and policy projects involving multiple City and public agencies. She has a Bachelor of Arts degree in Environmental Studies from the University of California, Santa Barbara.

Brad Benson, Waterfront Resilience Manager. Brad Benson is the Port's Waterfront Resilience Manager. He oversees the Waterfront Resilience Program efforts, including the Embarcadero Seawall Program. Brad joined the Port of San Francisco in 2005 as its Director of Special Projects. In that role, he oversaw the Port's local, state and federal legislative program and preparation of the Port's Ten-Year Capital Plan as well as the development of the Port's Pier 70 Waterfront Site. Prior to joining the Port, Brad served as the Honorable Tom Ammiano's legislative aide from 1997-2005. He worked with constituents and City staff to write legislation, staffed San Francisco Board of Supervisors meetings and committees, and managed day-to-day Board affairs during Supervisor Ammiano's terms as Board President. Before joining City government, Brad worked as a recycling and composting consultant and was active in local environmental campaigns.

Port Operating Divisions

Real Estate and Development Division. The Real Estate and Development Division is responsible for all asset management, property and lease management, marketing and leasing for the Port's commercial and industrial property along the 7.5 miles of San Francisco's waterfront from Fisherman's Wharf to Bayview/Hunters Point, exclusive of those leases to maritime tenants that are managed by the Maritime Division. Real estate asset and

property management duties entail lease negotiations, lease and property administration and enforcement, and asset value enhancement. The division is also responsible for managing major development projects on Port property. This includes creation of major development projects with a private developer partner, from selection of the developer through the project approval and construction.

Maritime Division. The Maritime Division is responsible for managing and marketing a wide array of maritime industries: cruise and cargo shipping, commercial and sport fishing, ferry and excursion operations and other harbor services. The division promotes Port maritime facilities to potential and existing customers while ensuring compliance with federal security mandates and providing environmental stewardship. Areas of responsibility include cruise and cargo terminals, ferry terminals, shipyards and dry docks, Fisherman's Wharf and Hyde Street commercial fishing harbors, excursion terminals and harbor service facilities for pilots, tugboats, barges, layberthing and other ship services.

Planning and Environment Division. The Port's Planning and Environment Division is responsible for developing and maintaining planning and land use policies adopted by the Port Commission, and managing plans and programs to protect environmental resources and meet regulatory requirements. The Port's land use policies, as adopted by the Port Commission, are contained in the Waterfront Land Use Plan and its Waterfront Design and Access element. The Waterfront Land Use Plan establishes the foundation and framework for new development projects, real estate leasing and asset management, public access, open space and environmental improvements, and preservation of the Port's historic resources. Another important responsibility of the Planning and Environment Division is to manage programs that protect and enhance water quality, air quality, wildlife habitat areas and promote biodiversity on Port lands and waters. The Planning and Environment Division also works with regulators in multiple public resources agencies, and Port tenants and applicants to provide regulatory review of Port building permits, leases and use proposals. The division ensures that proposals for Port properties comply with applicable land use, design review, and environmental impact review requirements administered by a number of different government agencies.

Engineering Division. The Engineering Division provides project and construction management, engineering design, facility inspection, contracting, code compliance review and permitting services for all of the Port's facilities including piers, structures, buildings, cranes, utilities, public and private areas, development projects, streets and walkways. The Engineering Division assists and coordinates with other City Departments to assure an appropriate transition between the City and property in the Port's jurisdiction.

Maintenance Division. The Maintenance Division maintains the Port's 7.5 miles of waterfront property to ensure that the Port provides a positive connection to the City. More than 100 skilled craftspersons are responsible for the preservation and improvement of the Port's fishing harbors, ferry landings, public parks, cargo terminals and piers. The overall maintenance performed by the Maintenance Division includes the skilled work of 18 different crafts, including carpenters, electricians, painters, gardeners, pile drivers, plumbers, roofers and general laborers.

Finance and Administration Division. The Finance and Administration Division is responsible for management of Port operations and support services, including human resources, accounting, finance, contracts, information systems, and business services. Human resources oversees labor and employee relations, payroll, training programs, employee recruitment and hiring. Finance includes budget development and analysis, capital planning, grants, forecasting, financing, risk analysis, and reporting. Accounting is responsible for accounts payable, accounts receivable, general ledger, financial statements and managing outside audits. Information technology manages the Port's information technology equipment acquisition and maintenance, local area network, computer application development and maintenance. Contract management is responsible for procurement of goods and services including materials and supplies and professional services. Business services includes materials management, mail service, telephone system, receptionist service, administration of the Port's vehicles, and management of the Port's offices.

PORT REAL ESTATE OPERATIONS

Overview

The Port Commission through its Real Estate and Development Division is engaged in the marketing, leasing and management of its properties for commercial business uses including office, industrial, storage, retail, restaurants, parking, and tourist attractions. As of June 2018, the Port had 440 real estate leases representing 302 commercial and industrial tenants and parking operators. Together these tenants occupied approximately 14.8 million square feet of Port property including piers, sheds, wharves, seawall lots, and open industrial land and generated approximately \$70.6 million in lease revenues for Fiscal Year 2017-18. An additional \$9.1 million in real estate revenues were derived from non-lease sources such as parking meters and parking fines. Total revenues generated by real estate activities for Fiscal Year 2017-18 were \$79.7 million. For information on certain maritime leases of the Port, see "PORT MARITIME OPERATIONS."

The Port Commission is authorized pursuant to the Burton Act, under specified conditions, to grant leases with terms up to 66 years. Beginning in the 1970s, the Port Commission has entered into several major ground leases of its properties that provide for the development of significant office, retail, and tourism attractions across the waterfront, including, for example, the Pier 39 festival marketplace, Oracle Park, the renovation of the historic Ferry Building and the opening of a 330,000 square foot science museum, the Exploratorium. Most of these long-term master leases, with base and percentage rents, have replaced short-term leases to dozens of individual tenants. In establishing such long-term lease arrangements, the Port Commission endeavors to transfer risks related to such developments to the ground lease tenant and in certain cases to address repairs and seismic upgrades needed for Port facilities. The Port Commission has recently entered into several public-private partnership development projects with the intention of addressing the Port's capital backlog and enhancing Port land value. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

Industrial and Other Non-Maritime Real Estate Leases and Lease Revenues

The largest category of the Port Commission's real estate operations by number of leases is the "industrial" group of leases. The industrial group consists of 254 tenancy agreements and represents approximately 58% of the Port Commission's 440 real estate lease agreements. Industrial tenant uses range from simple storage to manufacturing and fabrication. The next largest group by number of leases, the "office" leases, comprises approximately 26% of the Port's real estate tenancy agreement mix.

Although diversified in terms of the numbers of users, several categories of Port tenants represent a larger share of Port Commission revenues than do others. The Port's restaurant and retail tenants account for approximately 11.9% of real estate lease annualized revenue. Rent from the Port's diversified industrial tenants represents approximately 29.5% of such annualized revenues. Industrial tenants include warehouse and storage space leases. Leases to parking companies generate 15.5% of such annualized revenues. Annualized revenue is calculated by the Port based on current minimum base rents as of June 30, 2018 plus Fiscal Year 2017-18 percentage rents over the minimum rent, net of certain credits.

A large majority of Port real estate leases provide for periodic fixed or cost of living increases in the base or minimum rents. Most Port retail and restaurant leases provide for the monthly payment of percentage rents utilizing factors consistent with national and regional percentage rent comparables. Most Port commercial property leases are fully or partially net leases, with the tenants responsible for some or all the property operating expenses including utility fees, some maintenance and repair, liability and fire damage insurance, janitorial expenses and the payment of state and local taxes.

Information regarding lease terms held by current non-maritime tenants of the Port is set forth in the following table:

Table 1
PORT OF SAN FRANCISCO
Real Estate Leases
Remaining Lease Terms
As of June 30, 2018

	Number of Leases ⁽¹⁾		Estimated Annualized Real Estate Revenue ⁽²⁾	
Month-to-Month	219	49.8%	\$23,543,000	33.2%
<i>Remaining Term:</i>				
Less than One Year	51	11.6	\$ 3,313,305	4.7
One to Five Years	96	21.9	19,687,000	27.8
Five to Ten Years	8	1.8	2,179,000	3.1
Ten to Twenty Years	27	6.1	8,940,000	12.6
Twenty to Thirty Years	9	2.0	7,760,000	11.0
Over Thirty Years	30	6.8	5,400,000	7.6
Total	440	100.0%	\$70,822,305	100.0%

⁽¹⁾ This table includes Real Estate leases only. The Port currently has 132 Maritime leases that are not reflected in this table.

⁽²⁾ Based on current minimum rents as of June 30, 2018 and Fiscal Year 2018 percentage rents in excess of base rent amounts. Amounts are net of certain rent credits.

Source: Port Commission.

The following table sets forth the top ten real estate tenants of the Port for Fiscal Year 2017-18 in terms of revenue. The lease revenue of these ten tenants accounted for approximately \$31,486,000 or 39.5% of the total revenues managed by the Port's Real Estate division.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 2
PORT OF SAN FRANCISCO
Top Ten Real Estate Tenants by Revenue
Fiscal Year ending June 30, 2018
(Revenues in Thousands)

	Tenant Name	Revenue⁽¹⁾⁽²⁾	Percent of Real Estate Revenue⁽³⁾	Percent of Total Revenue⁽⁴⁾	Remaining Lease Term Years⁽⁵⁾	Use
1	China Basin Ballpark Company LLC (Giants' Stadium)	\$6,237	7.8%	5.7%	4	Oracle Park and Related Parking Lots
2	SP Plus Corporation ⁽⁶⁾	5,798	7.3	5.3	4	Parking
3	Recology San Francisco	4,214	5.3	3.8	5	Recycling
4	Pier 39 Limited Partnership	3,921	4.9	3.6	24	Retail/Entertainment
5	Imperial Parking (U.S.), Inc.	2,519	3.2	2.3	0	Parking Utility
6	Trans Bay Cable LLC	2,372	3.0	2.2	17	Power Transmission
7	Hudson One Ferry Operating, LP (Ferry Building) ⁽⁷⁾	1,991	2.5	1.8	49	Office/Retail and Related Parking
8	Boudin Properties, Inc.	1,654	2.1	1.5	27	Restaurants/Retail/Bakery
9	AMB Pier One, LLC	1,468	1.8	1.3	31	Office/Retail
10	Affordable Storage	1,312	1.6	1.2	0	Storage
	Total	\$31,486	39.5%	28.7%		

⁽¹⁾ Includes tenants with leases that generate non-maritime revenues. Minor maritime or other revenues may be included in a tenant's revenue total.

⁽²⁾ Amounts represent tenant billings net of certain revenue credits and allowances.

⁽³⁾ Real Estate revenue for the fiscal year ended June 30, 2018 was approximately \$79.7 million.

⁽⁴⁾ Total Port Operating Revenue for fiscal year ended June 30, 2018 was approximately \$109.8 million.

⁽⁵⁾ Represents the lease term of the tenant's primary lease with the Port. The primary leases for both Imperial Parking and Affordable Storage have expired. The Imperial Parking lease is currently on month-to-month status under holdover provisions pending negotiation of a new lease. The Affordable Storage lease has terminated, and the property has transferred to Brookfield Properties as part of the development of the Pier 70 project site.

⁽⁶⁾ 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.

⁽⁷⁾ Formerly Ferry Building Investors, LLC (FBI). Hudson One Ferry Operating LP, an affiliate of Hudson Properties, purchased the Ferry Building leasehold from the FBI in October 2018.

Source: Port Commission.

San Francisco's and the Port's Real Estate Market

With the extended length of the current expansion in the San Francisco Bay Area economy observers have speculated about the potential for a recession. However current forecasts by Kidder Mathews, a local real estate broker, and the Port's third party economist, Seifel Consulting, Inc., generally agree that the local economy will avoid a downturn in the next three years. The diversity of the Port's real estate portfolio has served the Port Commission well for the past decade. This continues to be the case with a balanced portfolio of office, industrial,

storage, retail, restaurants, parking and major attractions. Recent growth in the Port’s real estate revenues has followed regional economic growth, primarily from commercial and industrial rents.

San Francisco Bay Area commercial real estate markets are currently enjoying low vacancy rates and landlords are commanding higher rental rates in all sectors. The San Francisco office market is experiencing a strong year with seven major office transactions by technology companies. Technology tenants in San Francisco continue to compete for City office space, helping to push office rates to a quarter-over-quarter increase for the last six periods, with a 9.59% increase year-over-year. The Port Commission has been able to take advantage of this tight market, maintaining a low vacancy rate and a very low turnover rate while consistently raising rental rates. As of [July 2019], the Bureau of Labor Statistics reports San Francisco’s unemployment rate was 2.6%. High leasing activity is projected to continue through 2020, with a return to traditional levels in the longer term.

The table below shows the Port’s commercial and industrial lease revenues, and parking rental revenues (excluding parking meter and parking fine revenues), from Fiscal Year 2013-14 to Fiscal Year 2017-18.

Table 3
PORT OF SAN FRANCISCO
Historical Results of Real Estate Lease Revenue
For Fiscal Years Ended June 30,
(Amounts in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Commercial/Industrial	\$46,606	\$51,328	\$53,519	\$54,510	\$57,336	
Parking Lot and Stall Rent	11,678	13,784	13,127	13,200	13,823	
Total	\$58,284	\$65,112	\$66,646	\$67,710	\$71,159	

Source: Port Commission.

As San Francisco has adopted new land use policies and regulations in the past decade, the amount of land allocated to industrial activities in San Francisco has decreased. Planning efforts such as the City Planning Department’s Eastern Neighborhoods Plan (adopted in 2009) enabled these trends and anticipated that that the Port’s properties would house an increasing proportion of the City’s “Production Distribution and Repair” uses in the future. To help address this need, the Port is currently updating its Waterfront Land Use Plan to determine the potential uses of Port property and position the Port for the next phase of leasing activity. Port staff seek to work with the Port’s state regulators and other stakeholders to explore more flexible use of the Port’s industrial properties to support industrial activity in the City while ensuring robust leasing of these properties as a key component of the Port’s real estate portfolio strategy.

PORT MARITIME OPERATIONS

Overview

The Port's maritime revenues are derived from cargo, cruise, commercial fishing, ferry and excursion operations and a full range of harbor services. Term leases related to maritime activity normally provide base or minimum rents payable to the Port in equal monthly installments. Percentage or other contingent rents may be payable based on revenue volumes in excess of threshold amounts. Some maritime revenues are based on actual occupancy or use by a measured unit (*e.g.*, per lineal feet of vessel length for dockage) or measured time (*e.g.*, per 24-hour day). These maritime use fees may be based on a standardized tariff schedule or covered by a specific contractual agreement. In Fiscal Year 2017-18, maritime revenues (excluding maritime revenues such as excursion agreements allocated to the Port's real estate division) were approximately \$23.3 million, or approximately 21.3% of the Port's Fiscal Year 2017-18 total operating revenues of \$109.8 million. The Port has expanded its maritime business focus from cargo to include passenger cruises and harbor services recognizing its competitive advantages among the northern California ports as a popular tourist destination and a diversified facility. Nonetheless the largest source of the Port's maritime revenues continues to be cargo, followed by passenger cruises.

The following table sets forth the top ten Maritime tenants for Fiscal Year 2017-18. These tenants generated \$16.2 million or 69.2% of the total revenues generated by the Port's Maritime division for the period and 14.7% of the Port's total Operating Revenue for Fiscal Year 2017-18.

Table 5
PORT OF SAN FRANCISCO
Top Ten Maritime Tenants and Customers by Revenue
Fiscal Year ending June 30, 2018 (in Thousands)

	Customer/Tenant Name	Revenue ^(1,2)	Percent of Operating Revenue ⁽³⁾	Use
1	Princess Cruises	\$4,623	4.2%	Passenger Cruises ⁽⁴⁾
2	Hanson Aggregates Mid-Pacific, Inc.	2,191	2.0	Sand and Aggregate
3	Pacific Cruise Ship Terminals LLC	1,814	1.6	Cruise Terminal Operations/Special Events ⁽⁵⁾
4	CEMEX Construction Materials Pacific LLC	1,265	1.1	Aggregate
5	Pasha Automotive Services	1,206	1.1	Cargo Terminal Operations
6	San Francisco Bar Pilots Benevolent and Protective	1,109	1.0	Bar Pilots
7	Blue & Gold Fleet, LP	1,102	1.0	Ferry Excursions/ Commuter Services
8	Central Concrete Supply Company, Inc.	1,050	1.0	Concrete
9	Golden Gate Scenic Steamship Corp.	951	0.9	Ferry Excursions/ Commuter Services
10	Hornblower Yachts, Inc.	858	0.8	Ferry Excursions
	Total	\$16,169	14.7%	

(1) Includes tenants with leases that generate non-maritime revenues. Minor real estate or other revenues may be included in a tenant's revenue total.

(2) Amounts represent tenant billings net of certain revenue credits and allowances.

(3) Total Port Operating Revenue for fiscal year ended June 30, 2018 was approximately \$109.8 million.

(4) 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.

(5) The tenant is the Port's stevedoring operator for its cruise facilities. The tenant also rents these facilities for special events when they are not needed for passenger cruise ship operations.

Source: Port Commission.

Cargo

The primary Port cargo facilities are the 69-acre general cargo terminal at Pier 80 and the combined 110 acre bulk terminals at Piers 90, 92 and 94. The Port competes in the bulk and roll-on/roll-off (“Ro-Ro”) cargo markets, having ceased handling containerized cargoes in 2005 due to high operating costs and low container volumes. The Port’s shift in marketing focus resulted in terminal agreements and leases at Piers 90, 92 and 94 with four different companies handling construction aggregates imported primarily from Canada. In 2018, 1.6 million tons of aggregate sand crossed San Francisco terminals, making it the Port’s leading commodity.

The Port primarily handles Ro-Ro cargo at Pier 80. The Ro-Ro operation volumes are primarily export of Tesla automobiles locally manufactured in Northern California. Since beginning operations as an automobile import/export facility in 2016, Pier 80 has experienced over 100% growth in volume each year to date. This growth reflects the startup nature of a new business line for the Port and the simultaneous growth in international markets for the terminal’s main cargo customer, Tesla.

Passenger Cruises

One of the Port’s leading maritime industries is commercial passenger cruises. From 2012 to 2018 there was a 44% increase in the volume of cruise passengers on a calendar year basis (from 195,000 in 2012 to 280,000 in 2018). The Port has been actively marketing itself to the cruise industry to attract more cruise lines to San Francisco. In Fiscal Year 2017-18, there were 275,000 passengers on a total of 78 cruise ship calls, which generated approximately \$6.0 million in revenues to the Port. In Fiscal Year 2018-19, 16 cruise lines called in San Francisco. On average, approximately 5,000 passengers and crewmembers pass through the cruise terminal whenever a cruise ship is in port. Cruise vacations have continued to be a popular vacation option, with cruise lines recently reporting occupancy of close to 100% for ships sailing out of San Francisco.

Offsetting the passenger increases will be the effect of proposed new rules from the California Air Resources Board (“CARB”) that will require all but five ships, calling on San Francisco to be connected to shoreside electrical power while in port beginning in 2021. These new rules will limit the Port’s ability to accept calls from cruise ships not equipped to accept shoreside power. See “CERTAIN RISK FACTORS - State of California Air Emissions Regulations and Associated Risks to Cruise Industry.”

The Port has been a home port for Alaska cruises since 1969, and in recent years for Mexico and Hawaii round trips as well as year-round service. The Port also welcomes world cruises, coastal itineraries, and repositioning calls. Competing West Coast cruise ports include Los Angeles, Long Beach, and San Diego to the south, and Seattle and Vancouver, Canada, to the north. These ports have a geographic advantage because of their relative proximity to either Mexico or Canada, which allows them to offer round-trip cruises of seven days or less. San Francisco’s round-trip cruises to, Alaska, Mexico and Hawaii are ten to 15 days in duration, which appeals to a narrower segment of the market. However, the Port has the benefit of offering a convenient connection to the popular Bay Area region.

The Port’s cruise terminals, Pier 27 and Pier 35, are within walking distance of some of the City’s most popular visitor destinations, including Fisherman’s Wharf, PIER 39, and the Alcatraz ferry. The James R. Herman Cruise Terminal at Pier 27 features the highest design, energy, and environmental standards, including a shoreside electrical power hook-up for cruise ships.

Commercial Fishing and Fish Processing

The Port is the center of the commercial fishing industry in Northern California. Fisherman’s Wharf and the Hyde Street Harbor can accommodate more than 200 fishing vessels. The region’s major fish processors are located at specialized facilities in Fisherman’s Wharf and the adjacent Pier 45 Commercial Fishing Center. Major local fisheries off of the Northern California coast include Dungeness crab, salmon and herring. On a typical day, 40% of the fish processed at the Port arrives from local fishermen, 45% by truck from Washington, Oregon and Southern California and 20% by air freight. Approximately 80% of the fish processed is delivered daily to restaurants, grocery stores and specialty retailers within San Francisco. The remainder is delivered to the rest of

Northern California. Despite recent federal limitations on both the salmon and herring seasons, fish processing has remained active.

Ferry Operations

The Port serves as the central terminus for Bay Area commuter ferry routes. The Port Commission, maintains and operates two ferry terminals; the Downtown Ferry Terminal and the China Basin Ferry Terminal near Oracle Park and the Golden Gate Bridge Highway and Transportation District operates a terminal at the Ferry Building for Marin County commuters. In 2018, over 5 million passengers passed through the Port's ferry terminals. The ferry system provides an important emergency transportation system for the Bay Area and has proved invaluable during closures of the Bay Bridge or BART transit worker strikes. Future expansion of ferry facilities is being planned by the Port Commission and the San Francisco Bay Water Emergency Transit Authority ("WETA").

Harbor Services

The Port is also the center of Northern California's harbor service industry and leases facilities to tenants providing harbor services to the maritime industry throughout the Bay Area including the Ports of Oakland, Redwood City, Richmond, Benicia, West Sacramento and Stockton. These ancillary operators include numerous tug and tow operators, the San Francisco Bar Pilots, and contractors providing lay berthing to Maritime Administration ("MARAD") Ready Reserve ships. Harbor revenue also includes maritime rents and fees, collected from contractors that provide lay berthing to ships and from vessel owners requiring temporary berthing.

South Beach Harbor

On April 30, 2019 the Port assumed full control and operations of South Beach Harbor, including the Port's Pier 40 facility, and the adjacent 700 slip marina, from the Office of Community Investment and Infrastructure (the successor agency to the San Francisco Redevelopment Agency ("SFRDA")). SFRDA built the South Beach Harbor marina in 1986 on property leased from the Port of San Francisco with funding provided by bonds issued by the Redevelopment Agency and loans from Cal Boating. Located between Pier 40 and Oracle Park, half a mile south of the Bay Bridge on the Embarcadero, South Beach Harbor enjoys beautiful weather, access to great sailing and spectacular views of the City skyline. Public transportation, a multitude of dining options, and all the other attractions of San Francisco are easily accessed from South Beach Harbor's location in the vibrant South of Market area. See "- Impact of Dissolution of Redevelopment Agencies."

Ship Repair

The Port's ship repair facility at Pier 70 comprises nearly 14 acres of land and over 17 acres of water with associated buildings for the drydocking and repair of ships. The facility is equipped with seven cranes and two floating drydocks, all owned by the Port Commission. As the size of cruise and cargo ships continues to grow, the competitive demands of the ship repair industry created challenges which led the Port's ship repair operator, BAE Systems San Francisco Ship Repair Inc. ("BAE-SF"), to sell its operation to Puglia Engineering, Inc. ("Puglia") in December 2016.

In February 2017, Puglia gave notice to the Port of an imminent closure of the shipyard as a result of a legal dispute with BAE regarding the condition of the shipyard facilities and associated equipment including the drydocks. Based on a negotiated agreement with the Port, operations continued through the end May 2017, at which time Puglia abandoned the shipyard.

In February 2017, The Port issued a notice of default to both Puglia and BAE for breach of the shipyard lease, including failure to maintain the Port's drydocks and other equipment in good repair and working order, and to perform dredging necessary to operate the facility. Mediation discussions led to a settlement agreement between the Port and BAE that the Port Commission approved in July 2017. Under terms of the settlement, among other things, the Port received \$4.9 million to support maintenance and repairs in the shipyard.

Shipyard Operation

Since June 2017, the Port has issued two unsuccessful requests for proposals seeking a new operator for the shipyard. While it continues to explore options to secure a new operator for the shipyard, the Port has entered into several short-term leases for portions of the site. Should these efforts ultimately prove to be unsuccessful, the Port will identify other uses and leasing opportunities for the site.

Within the past nine months, two companies have contacted the Port expressing an interest in operating the Pier 70 shipyard. As part of its due diligence, the Port engaged the services of a marine consultant to evaluate both firms' business models and their financial capacity. The consultant was also asked to prepare a forecast of future demand by the Naval Sea Systems Command for maintenance and repair services of the Federal fleet, and a 15-20 year forecast of the West Coast commercial ship repair market and San Francisco's potential role in that market. In August 2019, one of the two proposals to operate the shipyard was withdrawn, and the consultant deemed the second proposal and that firm's business model as financial infeasible.

Significant repairs to the facility's drydocks must be made before ship repair operations at the facility can resume. While it is possible that the \$4.9 million in settlement proceeds (discussed above under the heading "Ship Repair") may be sufficient to fund repairs to one or more Port floating drydock, a portion of these settlement proceeds is being used for maintenance in the shipyard. The shipyard also requires dredging, which the Port estimates at a cost of at least \$2.0 million. Funds have not yet been identified to complete dredging of the shipyard.

The Port has taken advantage of the lull in commercial activity at the shipyard while it searches for an operator/tenant. In the last eighteen months, the Port has invested nearly \$6.0 million in building demolitions; hazardous materials disposal; plumbing and electrical repairs; dredging permits; and the installation of a \$4.3 million power distribution system that removed all PCB-oil containing equipment from the premises and replaced all with new, state-of-the-art dry transformers, and modern equipment, and wiring.

PORT COMMISSION FINANCIAL OPERATIONS

Introduction and Overview

The Audited Financial Statements of the Port Commission ("Financial Statements") for the Fiscal Year ended June 30, 2019 are attached as APPENDIX B – "FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019." Such Financial Statements should be read in conjunction with the information below and in their entirety.

As shown in Table 12, Port Commission operating revenues, which totaled approximately \$109.8 million in Fiscal Year 2017-18, were derived primarily from real estate and maritime operations. Real estate revenues, which consist of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, represented approximately 72.6% of Port operating revenues in Fiscal Year 2017-18. Maritime revenues, which are derived from cargo shipping (dry and liquid bulk cargo, break bulk cargo and Ro Ro), passenger cruise ship activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities, comprised approximately 21.3% of Port operating revenues in Fiscal Year 2017-18.

A significant portion of real estate revenues represent rental revenues derived from long-term leases of Port facilities, providing a practical constraint on the Port Commission's ability to increase annual revenues absent significant tenant turnover and/or capital investment in the creation or improvement of rental facilities. Port operating revenues decreased by \$3.6 million, or 3.2%, between Fiscal Year 2017-18 and Fiscal Year 2016-17.

Other sources of funding available to the Port Commission include fund balances from year-end savings and revenue surpluses, grants, Port Commission revenue bond proceeds, City general obligation bond proceeds, special tax and tax increment revenue and revenue from the issuance of bonds supported by these sources, tenant contributions and developer partner equity. These other sources are used primarily for capital projects. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

Port Commission operation and maintenance expenses, which totaled approximately \$79.0 million in Fiscal Year 2017-18, include personnel costs, charges for use of services provided by other City departments, contractual services, office expenses, utility costs, materials and supply costs, discretionary expenses, judgments, claims and litigation expenses, and other general operating expenses. In Fiscal Year 2017-18, the largest of those categories were personnel expenses, representing approximately 51.8% of total operation and maintenance expenses, and charges for use of City services, representing approximately 24.4% of the total. Operation and maintenance expenses also include the costs of any repair and maintenance of Port facilities that do not extend the useful life or expand the productive capacity of a capital asset. Port Commission operation and maintenance expenses increased by \$15.9 million, or 25%, between Fiscal Year 2013-14 and Fiscal Year 2017-18. Annual expenditures for deferred maintenance relating to older Port facilities are not treated as operation and maintenance expenses, but rather as capital expenditures, and are generally payable from Net Revenue or other available sources after provision for payment of principal and interest on revenue bonds of the Port Commission. See "Operation and Maintenance Expenses" below.

In February 2008, the Port Commission adopted Resolution 08-12, which directs the Port Commission to budget a 15% operating reserve defined as a percentage of operating expenses. Commencing with the Port's Fiscal Year 2008-09 budget, the 15% operating reserve has been included in every adopted budget, including the current biennial budget for Fiscal Years 2018-19 and 2019-20. See "Port Commission Operating Reserve Policy and Liquidity" below.

Port Commission Operating and Capital Budget Processes

As a department within the City and pursuant to Charter requirements, the Port Commission prepares a biennial operating and capital budget. As part of the biennial budget process, the Port is on a "fixed" two-year budget and only amends the budget on alternating years if revenues or expenditures are 5% above or below projections.

The Port Commission's biennial budget is a detailed operating plan that includes the programs, projects, services, and activities to be provided during the two fiscal years, estimated resources available for appropriation, including revenues, fund balance, interdepartmental work order recoveries and other income, and the estimated changes to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

In March 2012 the Port Commission adopted Resolution 12-22 which established a policy for funding capital budget expenditures. The policy calls for the Port to set aside annually in the Port's operating budget an amount equal to a minimum of 25% of operating revenues for the purpose of funding capital expenditures. Pursuant to the policy this funding requirement is to be met through a combination of (i) annual appropriations for current capital expenditures via the capital budget, and (ii) a designation of current estimated revenues for future capital expenditures. The Port Commission adopted the capital budget expenditures funding policy to ensure, in part, that the Port has stable and growing operating resources dedicated to capital expenditures, and to reduce the risk associated with unfunded capital obligations.

The Port prepares two capital planning documents, a Ten-Year Capital Plan and a Five-Year Capital Improvement Plan ("Five-Year CIP"), in alternating years to prioritize its capital investments. The Ten-Year Capital Plan provides a full inventory of capital needs and projected funding sources to allow the Port to identify and develop strategies for addressing unfunded need. The Five-Year CIP details the projects the Port anticipates funding and initiating over the next five years and represents a prioritized subset of the need for capital work identified in the Ten-Year Capital Plan. See "PORT CAPITAL IMPROVEMENT PROGRAM AND DEVELOPMENT STRATEGY" for further detail on the Five-Year CIP. The first two years of the five-year program serve as the Port's biennial capital budget. Funding for capital projects is generated from Federal, State and local grants, City general obligation bond funds, the Port Commission's operating budget and operating budget surpluses and debt issuances.

The Five-Year CIP includes capital expenditures on Port projects and Port-wide activities such as dredging of the Bay floor along the waterfront, facility condition surveys and emergency facility repair. Many of the capital projects address deferred maintenance and facility improvement needs for the Port's maritime and commercial

properties. Some of the capital projects create new public amenities such as parks and open space. Most capital projects typically do not include seismic upgrades to the substructure or super-structure of the facilities.

The Port uses the following criteria to determine which projects to recommend to the Port Commission for funding. Projects are recommended that: (i) address health and safety or regulatory compliance issues; (ii) advance the Port's Harbor Trust mission to promote maritime commerce, navigation and fisheries, protect natural resources, or provide facilities that attract the public to use the waterfront; (iii) significantly advance one or more of the Port's strategic goals, including financial stability, resilience, and attracting and retaining tenants; and (iv) are highly feasible, meaning that the scope is well defined, there is capacity to complete the project, and there is a good degree of certainty that the desired strategic goal outcomes will be achieved by completing the project. See "CERTAIN RISK FACTORS – Condition of Port Facilities" herein, for a discussion of the Port's costs related to its capital improvements and deferred maintenance needs. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

The operating budget and Five-Year CIP are approved by the Executive Director and then submitted to the Port Commission. Upon approval by the Port Commission, Port staff submits the operating budget and capital budgets to the Mayor on February 21 of every other year. The Mayor then forwards the budget to the Board of Supervisors on May 1 for review and approval by August 1 of every other year. The Board of Supervisors can make certain reductions to the budget in their sole judgment. The Port's Executive Director is authorized by the Port Commission to make non-material changes to the operating budget. Significant expenditure increases to the approved budgets require Port Commission and Board of Supervisors approval.

Port Commission Operating Reserve Policy and Liquidity

In February 2008, the Port Commission adopted Resolution 08-12, which directs the Port Commission to budget a 15% operating reserve defined as a percentage of operating expenses. Resolution 08-12 further states that the operating reserve should not fall below an amount equal to the estimated cost of two months' expenditures on essential expenses, including salaries, fringe benefits, rent, debt service, essential materials and supplies, and payment of outstanding invoices for professional services. The resolution allows the Port's Executive Director to use the operating reserve for unforeseen operating expenses, provided prior authorization is obtained from the Port Commission, the Mayor and the City's Board of Supervisors. Prior authorization to use the operating reserve is not required if the funds are to be used to address an emergency that has been declared by the Mayor, or to address other emergencies on Port property that requires an immediate response. Commencing with the Port's Fiscal Year 2008-09 budget, the 15% operating reserve has been included in every adopted budget, including the current biennial budget for Fiscal Years 2018-19 and 2019-20. The Port has never drawn upon the operating reserve to fund operating expenses since first being established in Fiscal Year 2008-09 and the reserve remains at 15%.

An overriding majority of the Port Commission's cash is held in the City Treasurer's pooled account of cash and investments. The Port Commission's unrestricted cash balance has steadily increased over the past several years from a low of \$77.1 million at June 30, 2014 to \$155.7 million at June 30, 2018. With Fiscal Year 2017-18 Operations and Maintenance expenses at \$85.0 million, as calculated in accordance with the 2010 Master Bond Indenture dated February 1, 2010, the unrestricted cash position at [June 30, 2018] represents [669 days] of cash on hand. See "Historical Condensed Statement of Net Position" and the "Historical Operation and Maintenance Expenses" table below.

Fiscal Year 2019-20 Operating and Capital Budgets

The Port Commission's Fiscal Year 2019-20 budget of \$155.0 million consists of \$96.6 million for operating expenses, \$4.6 million to fund annual projects (stand-alone small maintenance and other noncapital projects such as technology projects the duration of which is expected to be one year), \$19.0 million for capital projects, \$21.7 million in funds that are designated for capital projects in future years, and a \$13.0 million operating reserve. Approximately \$121.7 million or 79% of the Port Commission's \$155.0 million budget is derived from the revenues the Port generates from the use of its property, including rental income from real estate activities, parking related fees and fines, berthing fees, and permitting fees. These revenues are sufficient to cover the Port's operating and maintenance expenses, including the Port's annually funded projects, as well as debt service payments.

The Port Commission's Fiscal Year 2019-20 capital budget, shown as capital projects in the table below, provides \$30.3 million in funding for capital projects. Such funding is available from the Port Commission Fund Balance, which is derived from year-end savings and revenue surpluses. In addition to these newly funded projects, the Port has other capital projects that were funded in prior years and are in various stages of development.

In addition to the above, the Port Commission Fiscal Year budget includes \$3.8 million in operating expenses and \$1.1 million in capital projects for the Port's South Beach Harbor Special Facility. The budgeted expenses are funded by \$4.9 million in berthing fees, rental income, parking and other fees generated from the use of the South Beach Harbor Special Facility. These "Special Facility Revenues", which are not available as security for the benefit of the bond-holders, are sufficient to cover the South Beach Harbor Special Facility's operating and maintenance expenses, including its debt service payments and fund its capital projects, as shown in the table below.

Table 6
PORT OF SAN FRANCISCO
Fiscal Year 2019-20 Budget
(Amounts in Millions)

<u>Sources</u>	<u>Amount</u>
Estimated Fund Balance ⁽¹⁾	\$ 23.6
Operating Revenues	
Real Estate	97.9
Maritime	21.4
Other	2.4
Development Recoveries	9.1
Transbay Payment	<u>0.6</u>
Total Sources	\$155.0
<u>Uses</u>	
Operating Expenses - Port (incl. annual projections)	\$101.2
Capital Budget Port	19.0
Reserves ⁽²⁾	<u>34.8</u>
Total Uses	\$155.0

⁽¹⁾ Estimate of accumulated surplus after provision for 15% operating reserve.

⁽²⁾ Operating reserve as a percentage of operating expenses is budgeted at 15%.

Source: Port Commission.

Historical Condensed Statement of Net Position

Table 7 sets forth the condensed summary statement of net position for the fiscal years show.

Table 7
PORT OF SAN FRANCISCO
Condensed Summary Statement of Net Position
For the Fiscal Years Ending June 30,
(Amounts in Thousands)

	2014	2015	2016	2017	2018	2019
Unrestricted cash and investments, held in City Treasury	\$77,126	\$109,139	\$131,012	\$146,019	\$155,722	
Other unrestricted current assets	12,103	6,395	6,830	13,823	14,116	
Restricted current assets	60,825	35,043	52,510	44,892	40,954	
Total current assets	150,054	150,577	190,352	\$204,734	\$210,792	
Capital assets	439,773	444,105	430,850	427,742	434,702	
Other assets	1,301	1,455	1,487	3,768	3,632	
Total assets	591,128	596,137	622,689	636,244	649,126	
Deferred Outflows	-	5,555	6,467	20,916	14,672	
Total Assets and Deferred Outflows	591,128	601,692	629,156	657,160	663,798	
Accounts payable and accrued expenses	14,333	3,477	3,207	4,746	9,551	
Current maturities of long-term obligations	2,600	2,370	2,456	2,567	2,693	
Other current liabilities	22,087	18,941	17,791	19,192	19,977	
Total current liabilities	39,020	24,788	23,454	26,505	32,221	
Long-term obligations – net of current maturities	93,958	91,526	89,006	86,377	83,622	
Other noncurrent liabilities	125,881	117,933	121,868	178,833	142,802	
Total liabilities	219,839	234,247	234,328	265,210	258,645	
Deferred Inflows	-	14,850	7,158	2,210	3,201	
Net position	371,289	352,595	387,670	389,740	401,952	
Total Liabilities, Deferred Inflows and Net Position	\$591,128	\$601,692	\$629,156	\$657,160	\$663,798	

Source: Port Commission.

Port Operating Revenues – General

The Port Commission's operating revenues are derived from real estate and maritime operations: (i) real estate revenues, which consist of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, and (ii) maritime revenues, which are derived from cargo shipping (dry and liquid bulk cargo, break bulk cargo and roll-on/roll off cargo), passenger cruise ship activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities. A significant portion of the Port Commission's operating revenues are a function of the terms of leases and agreements the rates of which are determined chiefly by the San Francisco real estate market. Increasing the Port Commission's rental income often requires the Port Commission and/or its tenant to invest in repairs and upgrades

to the Port's property. If the tenant pays for the improvements, the Port Commission typically is able to increase the rental rates only after the tenant's contributions have been amortized. As previously noted, the Port does not receive tax revenues to support its operations.

The following table sets forth information about the Port Commission's operating revenues generated from tenancy and operating agreement driven activity of the maritime and real estate divisions. Reported revenues are based on an annualization of minimum rents of Port tenants as of June 30, 2018 and percentage rents received in Fiscal Year 2017-18.

Table 8
PORT OF SAN FRANCISCO
Major Port Operating Revenues⁽¹⁾
June 30, 2018

	Annualized Revenue ⁽²⁾		Square Footage ⁽³⁾	
	Amount	Percent	Size	Percent
Real Estate				
Industrial	\$29,163,000 ⁽⁴⁾	29.5%	9,954,000	45.8%
Ground Lease	13,868,000	14.1	3,082,000	14.2
Restaurant & Retail	10,906,000	11.1	354,000	1.6
Parking	15,262,000	15.5	1,114,000	5.1
Office	7,287,000	7.4	270,000	1.2
Subtotal Real Estate	\$76,486,000	77.6%	14,774,000	67.9%
Maritime⁽⁵⁾				
Cargo	\$7,813,000	7.9%	4,649,000	21.3%
Commercial Fishing	2,241,000	2.3	217,000	1.0
Passenger Cruise	7,434,000	7.6	521,000	2.4
Various Maritime	2,662,000 ⁽⁶⁾	2.7	596,000	2.7
Harbor Services	1,867,000	1.9	374,000	1.7
Ship Repair ⁽⁷⁾	0	0.0	645,000	3.0
Subtotal Maritime	\$22,017,000	22.4%	7,002,000	32.1%
Total	\$98,503,000	100.0%	21,776,000	100.0%

(1) Table only includes revenues derived from tenancy and operating agreements. Not included are revenues from miscellaneous sources. Total operating revenue for the fiscal year ending June 30, 2018 was \$109.8 million.

(2) Based on annualized monthly base rents as of June 30, 2018 and Fiscal Year 2018 percentage rents in excess of base rent amounts. Revenue amounts are net of certain rent credits.

(3) Excludes portion of areas in water.

(4) Excludes \$5.66 million in lease revenues generated from the Port's excursion operators. The leases are managed by Real Estate and are classified as Real Estate revenues.

(5) Including traditional user fees within the maritime industry, such as wharfage, dockage and demurrage.

(6) Includes a \$398 thousand revenue generated by drawing on a standby letter of credit that secured the lease obligations of Puglia Engineering, see footnote 7.

(7) On December 30, 2016 BAE System, Inc., the Port's long time shipyard 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 Commission.

The following table sets forth the top ten tenants and customers (both maritime and non-maritime) of the Port for Fiscal Year 2017-18.

Table 9
PORT OF SAN FRANCISCO
Top Ten Port Tenants and Customers by Revenue
Fiscal Year ending June 30, 2018 (Revenues in Thousands)

	Customer/Tenant Name	Revenue⁽¹⁾	Percent of Operating Revenue⁽²⁾	Use	Expiration
1	China Basin Ball Park Co.	\$6,237,000	6.0%	Ballpark and Related Parking	12/31/2022 ⁽³⁾
2	SP Plus Corporation ⁽⁴⁾	5,798,000	5.3	Parking	5/31/2022
3	Princess Cruises	4,623,000	4.2	Passenger Cruises	N/A ⁽⁵⁾
4	Recology San Francisco	4,214,000	3.8	Recycling	7/31/2023 ⁽⁶⁾
5	Pier 39 Limited Partnership	3,921,000	3.6	Retail/Entertainment	12/31/2042 ⁽⁷⁾
6	Imperial Parking (U.S.), Inc.	2,519,000	2.3	Parking	Expired ⁽⁸⁾
7	Transbay Cable, LLC	2,372,000	2.2	Utility (Electric Power Transmission)	11/21/2035
8	Hanson Aggregates Mid-Pacific, Inc.	2,191,000	2.0	Sand and Aggregate, Maritime Support	8/31/2023 ⁽⁹⁾
9	Hudson One Ferry Operating, LP	1,991,000	1.8	Office/Retail and Related Parking	4/9/2067 ⁽¹⁰⁾
10	Pacific Cruise Ship Terminals, LLC	1,814,000	1.6	Cruise Terminal Operations/Special Events	9/16/2029 ⁽¹¹⁾
	Total	\$35,680,000	32.8%		

⁽¹⁾ Amounts represent tenant billings net of certain revenue credits and allowances.

⁽²⁾ Operating revenue for the fiscal year ending June 30, 2018 was \$109.8 million.

⁽³⁾ Tenant has multiple leases. Expiration date shown is for the primary lease. One of the tenant's other leases has expired, but has continued under holdover provisions. The other leases expire 12/31/2022.

⁽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 site under new leases which began 6/1/2017 and expire 5/31/2020 and 5/31/2022. The Central Park System leases have expired, but have continued under holdover provisions.

⁽⁵⁾ 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. As many as 12 other cruise lines also pay fees to Pacific Cruise Ship Terminals and the Port for passenger cruises calling at the Port.

⁽⁶⁾ Tenant has two leases. Expiration date shown is for primary lease. The tenant's other lease expires 7/31/2019.

⁽⁷⁾ Tenant has multiple leases. Expiration date shown is for the primary lease. The tenant's other leases expire 8/31/2021.

⁽⁸⁾ Tenant has multiple leases. One of tenant's leases expires 12/31/19. The tenant's other two leases have expired, but have continued under holdover provisions.

⁽⁹⁾ Tenant has three leases. Expiration date shown is for primary lease. The tenant's other two leases have expired, but have continued under holdover provisions.

⁽¹⁰⁾ Formerly Ferry Building Investors, LLC ("FBI"). Hudson One Ferry Operating LP, an affiliate of Hudson Properties, purchased the Ferry Building leasehold from FBI in October, 2018. Tenant has two leases. Expiration date shown is for the primary lease. The tenant's other lease expires 3/31/2023.

⁽¹¹⁾ The tenant is the Port's stevedoring operator for its cruise facilities. The tenant also rents these facilities for special events when they are not needed for passenger cruise ship operations. The expiration date shown is for the company's operating agreement with the Port.

⁽¹¹⁾ The tenant is the Port's stevedoring operator for its cruise facilities. The tenant also rents these facilities for special events when they are not needed for passenger cruise ship operations. The expiration date shown is for the company's operating agreement with the Port.

Source: Port Commission.

Operation and Maintenance Expenses

General. The Port Commission's Operation and Maintenance Expenses include the following costs: personnel, office expenses, utility costs, materials and supply costs, discretionary expenses, litigation expenses, payments made to the City for services of other City departments, and other general operating expenses. Any maintenance and repair work to Port facilities that does not extend the useful life and/or expand productive capacity of a capital asset are included as Operation and Maintenance Expense, as shown in Table 10 below and as discussed herein. Many of the Port's older facilities have significant deferred maintenance. Due to the advanced age of these facilities and the magnitude of rehabilitation that is required to bring such properties to a current state of repair, when costs are incurred to address such deferred maintenance they are not treated as Operation and Maintenance Expense, but rather as capital expenditures, payable from Net Revenue after provision for payment of principal of and interest on the Series 2020 Bonds. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY." Operation and Maintenance Expenses also includes those capital project-related costs that are not eligible for capitalization pursuant to Governmental Accounting Standard Board ("GASB") rules.

Port Commission Payments to the City and County of San Francisco. The Port Commission reimburses the City for services provided to the Port by various City departments. Such amounts are included in Operation and Maintenance Expenses as "Charges for Use of City Services" in the table set forth below. Examples of City services include fire protection (fire boat and crew), police protection, performance audits of Port operations by the City Controller's Office including tenant concession audits, insurance procured through the City's Risk Manager, and legal services provided by the City Attorney's Office. In Fiscal Year 2017-18, these expenses totaled \$19.3 million or approximately 24.4% of the Port's total Operations and Maintenance Expenses (or 22.7% excluding non-cash adjustments). The Fiscal Year 2017-18 total included \$___ million in pass through charges for such items as workers' compensation, insurance, electricity, and telephone service.

The Port also reimburses the City for indirect costs based on the City's County Wide Indirect Cost Allocation Plan. Examples of these City services include materials, supplies and equipment procurement, document processing and financial reporting, and payroll services. In Fiscal Year 2017-18 the Port Commission paid \$228,000 for its share of the City's overhead expenses.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

The following table sets forth historical Operation and Maintenance Expenses of the Port Commission, based on the categories of expenses discussed above.

Table 10
PORT OF SAN FRANCISCO
Historical Operations & Maintenance Expenses
For Fiscal Year Ended June 30,
(Amounts in Thousands)

	2015	2016	2017	2018	2019
Operations & Maintenance					
Personnel Expense ⁽¹⁾	\$32,006	\$33,180	\$34,858	\$38,686	
Citywide Overhead	520	571	747	228	
Other Current Expenses	4,124	3,666	4,364	5,491	
Professional & Specialized Services ⁽²⁾	2,853	4,192	9,810	14,946	
Utility Expenses	2,395	2,146	2,833	2,859	
Materials & Supplies	1,689	1,468	1,853	1,001	
Judgments, Claims & Litigation ⁽³⁾	(416)	(306)	154	(663)	
Office Rent	2,916	2,832	2,723	2,614	
Charges for Use of City Services	17,097	19,124	19,009	19,310	
Other O&M Expense (net)	234	91	151	520	
Subtotal	\$63,418	\$66,964	\$76,502	\$84,992	
Non-cash adj. for estimated pollution remediation costs for:					
(i) pensions pursuant to GASB 68	(4,600)	(3,887)	10,920	993	
(ii) estimated cost for pollution remediation for the Pier 70 area	78	266	242	(8,211)	
(iii) OPEB ⁽⁴⁾	2,000	1,553	2,220	1,252	
Total Operations & Maintenance Exp.	\$60,896	\$64,896	\$89,884	\$79,026	

(1) The reported expenses exclude charges and credits associated with non-cash adjustments related to accounting and reporting of OPEB and pension obligations.

(2) The relatively high professional and specialized services expenses reported for fiscal years 2016-17 and 2017-18 reflect the following:

- For Fiscal Year 2016-17, one-time costs for: (i) consulting services to assist the Port in preparing for the City's transition to new accounting software (the change became effective July 1, 2017), and (ii) for rail improvements to the trackage located in the Port's Southern Waterfront. The rail tracks are used by the Port's short line railroad operator, but are owned by Union Pacific.

- For Fiscal Year 2017-18, (i) costs associated with the planning and development of design of the first phase of a project to seismically strengthen and implement sea level rise mitigation measures for the Port's Northern Waterfront seawall, and (ii) design and engineering costs related to the Mission Bay Ferry Terminal project. A significant portion of the costs incurred for these projects were not eligible for capitalization.

(3) The credits for "judgments, 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 other postemployment health care benefits ("OPEB") obligations by, among other things, requiring 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 Commission.

Historical Operating Results

A summary of the Port Commission's historical results of operations as reported in the Port Commission's Financial Statements for the Fiscal Year 2014-15 through Fiscal Year 2018-19 are set forth below. See APPENDIX B – "FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Table 11
PORT OF SAN FRANCISCO
Historical Results of Operations
For Fiscal Year Ended June 30,
(Amounts in Thousands)

	2015	2016	2017	2018	2019
Operating Revenues:					
Maritime Operations					
Cargo	\$4,931	\$5,281	\$6,248	\$8,685	
Ship Repair	2,045	2,543	1,398	0	
Harbor Services	1,996	1,768	1,827	1,847	
Cruise	4,928	7,663	7,406	7,901	
Fishing	2,185	2,062	2,402	2,184	
Other Marine	2,305	1,779	1,739	2,652	
Miscellaneous	9	151	4,955	80	
Total Maritime	\$18,399	\$21,247	\$25,975	\$23,349	
Real Estate & Asset Management					
Commercial/Industrial	\$51,328	\$53,519	\$54,510	\$57,336	
Parking	22,312	21,504	21,900	22,281	
Filming & Special Event Revenue	717	252	240	49	
Miscellaneous	374	515	6,474	2	
Total Real Estate Operations	\$74,731	\$75,790	\$83,124	\$79,668	
Other Operating Revenues	\$2,166	\$2,696	\$4,254	\$6,752	
Total Operating Revenues	\$95,296	\$99,733	\$113,353	\$109,769	
Operating Expenses					
Operations & Maintenance	\$60,896	\$64,896	\$89,884	\$79,026	
Depreciation & Amortization	22,787	21,924	24,191	17,778	
Total Operating Expenses	\$83,683	\$86,820	\$114,075	\$96,804	
Operating Income	\$11,613	\$12,913	(\$722)	\$12,965	
Other Income & (Expenses)					
Interest & Investment Income	\$970	\$884	\$1,502	\$2,231	
Interest Expense	(4,220)	(4,656)	(4,262)	(4,461)	
Debt Issuance Cost	0	0	0	--	
Gain/(Loss) on Disposal of Assets	(292)	1,676	(56)	(1,383)	
Other	2,144	177	3,786	4,232	
Total Other Income/(Expense) Net	(\$1,398)	(\$1,919)	\$970	\$619	
Net Income/(Loss) Before Capital Contribution	\$10,215	\$10,994	\$248	\$13,584	
Capital Grants and Other Contributions	\$1,560	\$24,081	\$1,822	\$2,626	
Change in Net Position	\$11,775	\$35,075	\$2,070	\$16,210	

(Footnotes to Table 11)

- (1) Miscellaneous Maritime revenues for 2017 largely represent \$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. Miscellaneous Real Estate revenues for 2017 include \$6.0 million representing the Port's share of net proceeds from the sale of The Piers, a development project completed in 2006 at Piers 1 ½-5.
- (2) In 2015 the Port implemented GASB Statement No. 68, a new standard which is intended to improve the accounting and financial reporting of pension obligations. Reported expenses for Fiscal Years 2014-15 onward include net non-cash charges and credits associated with the implementation of this standard. Fiscal year 2013-14 has not been restated to conform with the new accounting standard. In 2018 the Port implemented GASB Statement No. 75, a new standard that is intended to improve 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 the table on page 11 of this report.

Source: Port Commission.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Historical Debt Service Coverage

The following table sets forth historical summary financial information relating to the Port Commission's debt service coverage.

Table 12
PORT OF SAN FRANCISCO
Historic Debt Service Coverage
For Fiscal Years Ended June 30,
(Amounts in Thousands)

	2015	2016	2017	2018	2019
Revenues ⁽¹⁾					
Maritime	\$18,398	\$21,247	\$25,975	\$23,349	
Real Estate	74,731	75,790	83,124	79,668	
Interest Income ⁽²⁾	786	803	1,348	3,107	
Other Revenue ⁽³⁾	2,166	2,695	5,254	6,752	
Total Revenues	\$96,081	\$100,535	\$115,701	\$112,876	
Operating Expenses ⁽¹⁾					
Operations & Maintenance ⁽⁴⁾	\$63,418	\$66,964	\$76,502	\$84,992	
Net Revenue	\$32,663	\$33,571	\$39,199	\$27,884	
Debt Service on Bonds ⁽⁵⁾	\$4,171	\$4,176	\$4,169	\$4,174	
Net Revenue Coverage on Bonds (times) ⁽⁵⁾	7.83x	8.04x	9.40x	6.68x	
Debt Service on Subordinate Obligations ⁽⁶⁾	\$3,179	\$3,076	\$3,028	\$2,966	
Net Revenue Coverage on Bonds and Subordinate Obligations (times) ⁽⁶⁾	4.44x	4.63x	5.45x	3.91x	

(1) Revenues and expenses were determined in accordance with the Indenture. For all years, the amounts were derived from financial reports which have been audited and adjusted for the elements discussed in footnotes 2 and 4.

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

(3) The revenues reported for the fiscal year ended 2017 include a \$1.2 million payment from the Pier 70 waterfront site developer to reimburse the Port for expenses incurred to advance the project and \$1.0 million in contributions from City agencies to the Port's seawall program to support required technical studies, engineering feasibility analysis, and public outreach. Revenues reported for fiscal year ended 2018 include \$0.75 million from City agencies for the Port's seawall resiliency project, as previously discussed, and a \$3.5 million contribution from the City for design and entitlement of the Mission Bay Ferry Terminal project.

(4) Operations & Maintenance Expenses excludes non-cash expenses and credits associated with OPEB 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 Historical Operations & Maintenance Expenses table located on page 11 of the Port's 2018 Annual Report.

(5) Represents debt service and Net Revenue coverage on the 2010 and 2014 Port revenue bonds. 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.

(6) Includes the following obligations: (i) a loan from Cal Boating, 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 has 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 Commission.

Projected Debt Service Coverage

The projected debt service coverage ratios of Net Revenue to debt service on the Series 2014 and Series 2020 Bonds shown in the following table are calculated in accordance with the Indenture. Such information constitutes “forward looking statements.” A discussion of the major assumptions that underlie the revenue projections reflected in the following table is set forth below, and a discussion of certain risk factors affecting the achievement of Revenue and Net Revenue is set forth under the caption “CERTAIN RISK FACTORS” herein, but no assurance is given that actual results will meet the Port Commission’s forecasts in any way. Such discussion is not intended to address all possible risks and uncertainties relating to the achievement of such results. Changes in the circumstances that form the bases for the assumptions used in developing these projections as well as unanticipated events may occur subsequent to the date of this Official Statement. Differences between forecasted results and actual results may be material. See “CERTAIN RISK FACTORS – Uncertainties of Projections and Assumptions; Forward Looking Statements.”

Table 13
PORT OF SAN FRANCISCO
Projected Debt Service Coverage
For Fiscal Years Ending June 30,
(Amounts in Thousands)

	2020	2021	2022	2023	2024
Revenue					
Maritime	\$26,520	\$25,539	\$26,846	\$27,677	\$24,378
Real Estate	83,863	88,755	90,726	94,526	98,243
Interest Income ⁽¹⁾	3,195	3,428	3,533	3,558	3,498
Other Revenue ⁽²⁾	2,100	2,153	2,207	2,262	2,319
Total Revenues	\$115,678	\$119,875	\$123,312	\$128,023	\$132,438
Operating Expenses					
Operations & Maintenance ⁽³⁾	\$91,810	\$93,322	\$97,572	\$102,036	\$106,622
Net Revenue	\$23,868	\$26,553	\$25,740	\$25,987	25,816
Debt Service on Bonds ⁽⁴⁾	\$4,173	\$4,174	\$4,176	\$4,177	3,598
Projected Net Revenue Coverage on Bonds (times) ⁽⁴⁾	5.72x	6.36x	6.16x	6.22x	7.18x
Debt Service on Subordinate Obligations ⁽⁵⁾	\$2,962	\$2,967	\$2,963	\$2,966	\$2,225
Projected Net Revenue Coverage on Bonds and Subordinate Obligations (times) ⁽⁵⁾	3.35x	3.72x	3.61x	3.64x	4.43x

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

(2) Includes certain non-recurring permit fees and income from developers, and other operating revenues.

(3) Excludes non-cash charges and credits associated with pensions and providing OPEB.

(4) Represents debt service and Net Revenue coverage on the 2014 and 2020 Port revenue bonds.

(5) Includes the following obligations: (i) a loan from Cal Boating, 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 has 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 Commission.

Major Assumptions Relating to Revenues from Maritime Operations. Maritime revenues are projected to increase by approximately \$5.0 million or 21.5% from Fiscal Year 2017-18 to Fiscal Year 2023-24. The increase reflects a combination of increased rental income from scheduled rent increases and cost of living rent adjustments for the Port’s maritime tenants, and additional revenues from: (i) cruise operations due to planned increases in the passenger facility charge beginning in January 2020, and (ii) cargo operations due, in part, to higher auto import and

export volumes at the Port's Pier 80 cargo terminal. Other assumptions incorporated into these projections are further described below.

Cargo. Cargo revenues are projected to increase \$1.8 million over the forecast period. The increase is principally the result of assumed increases in the number of automobiles handled by the Port's terminal operator, Pasha Automotive Services, from 35,000 vehicles in Fiscal Year 2017-18 to 75,000 vehicles by Fiscal Year 2021-22. Contributing to the increase in cargo revenues are additional lease revenues from a possible expansion of operation by one of the Port's existing tenants at Pier 94. The expected revenue increase for Fiscal Year 2018-19 was partially offset by the conclusion of a short-term vehicle storage agreement with an auto manufacturer at Pier 80. The space is no longer needed by the firm, and revenues generated by this activity have ended.

Ship Repair. The Port is currently looking for a firm to restart operations of its Pier 70 ship repair facility (see Maritime Operations), however, it has no assurance that these efforts will be successful. As a result, no revenues from ship repair have been assumed for the projected period.

Cruise. Cruise revenues are projected to increase by \$1.8 million over the forecast period from \$7.9 million in Fiscal Year 2017-18 to \$9.7 million by Fiscal Year 2023-24. The revenue growth stems from the following:

(i) Planned increases in the passenger facility charge ("PFC") over the projected period of \$1 effective January 1, 2020, \$1 effective January 1, 2021, and increases of 3% annually thereafter through the end of the forecast period.

(ii) Planned implementation of a new cruise incentive program that will provide discounts of up to \$1 off of the Port's PFC rates in exchange for bringing more passengers to the Port of San Francisco. The program is anticipated to generate up to 30 additional cruise calls per year for the Port, and an increase in passenger volume from just under 280,00 in calendar 2018 to 378,00 by calendar 2020.

Offsetting the passenger increases will be the effect of proposed new rules from CARB that will require all but five ships calling on San Francisco to be connected to shoreside electrical power while in port beginning in 2021. These new rules will limit the Port's ability to accept calls from cruise ships not equipped to accept shoreside power. The projections assume that CARB will implement the new shoreside power rules as outlined, and that the Port will be limited to receiving 80 cruise calls per year beginning in 2021; 75 vessels at the Port's Pier 27 terminal, and five calls at Pier 35 with a commensurate loss in passengers of approximately 70,000 annually.

(iii) Special event and other revenue growth of 3% annually throughout the forecast period based on historic performance to date. Demand for special event space at the Port's cruise terminal facilities has been and continues to be very strong.

Other Maritime Revenues. Total revenue from other maritime activities is projected to increase by \$1.5 million or 21.6% over the forecast period which reflect CPI increases of 2.5% per year and new leasing, berthing and other activity. Included in the projection is approximately \$900,000 in additional income from the interim leasing of unused space at the Pier 70 ship repair facility site.

Major Assumptions Relating to Real Estate and Operations Revenues. Real Estate revenues are projected to increase by approximately \$18.6 million, or 23.3%, from Fiscal Year 2017-18 to Fiscal Year 2023-24. The increase reflects higher commercial rental and parking income related principally to: (i) increased base rents from scheduled rent increases and cost of living rent adjustments for tenant leases; (ii) new income from the leasing of approximately ten acres (net) of land in the Port's Southern Waterfront for construction laydown, storage and vehicle parking as the result of a recently completed capital project; (iii) lease income beginning in Fiscal Year 2021-22 from Orton Development's rehabilitation and leasing of several historic buildings along 20th Street known as the Pier 70 Historic Core development; (iv) net new leasing income from the development a new hotel and dinner theater venue at seawall lot ("SWL") 324 and from the relocation of the City's Department of Elections from space at Pier 48 to Pier 31; and \$11.1 million in one-time payments received in Fiscal Year 2018-19 reflecting the Port share of the net proceeds from the sale of the Ferry Building and SF Bay Railroad leaseholds.

Base rental income and percentage rents are projected to grow at 2.5% annually throughout the forecast period. Vacancy rates are projected to remain stable throughout the forecast period. The projections also assume that leases expiring during the forecast period will be renewed or replaced with leases generating similar rents to those of the expiring leases.

Parking. Parking revenues are projected to decline by \$1.3 million over the forecast period due principally to the establishment of the Mission Rock Project Site Special Facility. The Port currently receives approximately \$3.3 million annually from parking lot A located on SWL 337. The projections assume that 50% of the lot will be turned over to the developer for construction of the Mission Rock development in January 2020 with the remaining portion of the lot provided to the developer in January 2021. [At the time of transfer, revenues generated from the portion of the parking lot transferred will be “special facility revenue” and will no longer be available to the bondholders as security for the bonds. “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Additional Bonds and Other Obligations - Special Facilities and Special Facility Bonds.”]

The projections assume additional revenues beginning April 1, 2020 from a new parking lot currently under construction at 19th and Illinois Street. These revenues partially offset revenues lost from the sale of a parking lots at SWL 322-I and 20th and Illinois Streets for the development of affordable housing. The construction of affordable housing at this site is a component of the large mixed-use development at Pier 70 being undertaken by Brookfield (formerly Forest City). Revenues for all of the Port’s existing parking activities (meters, parking stalls, fines, and rent) are forecast to increase by 2.0% annually throughout the forecast period. Additional revenues from these sources partially offset the revenues loss from the designation of SWL 337 Lot A as part of the Mission Rock Project Site Special Facility.

General. All other Real Estate revenues are projected to grow at 2.5% per annum throughout the forecast period.

Major Assumptions Relating to Other Revenues. The category of Other Revenues includes income from permit fees, payments from developers to reimburse the Port for expenses incurred to advance projects, and contributions from City agencies to the Port’s seawall resiliency and Mission Bay Ferry Terminal projects to support required technical studies, and design and entitlement for these projects. Recently the Port designated the Pier 70 SUD, and Mission Rock Project site as special facilities. As a result, future revenues and expenses associated with these projects will be excluded from the pledge of net revenues provided to the bondholders as security for the bonds. In addition, the Port does not expect to receive any additional contributions from the City for its seawall resiliency and Mission Bay Ferry Terminal projects as outside sources of funds have been identified, including City general obligation bonds, which can directly finance project costs.

As a direct result of the above, the projections assume that only permit fees and other operating revenues will be received by the Port beginning in Fiscal Year 2018-19. The amount of other revenues forecast for Fiscal Year 2018-19 is \$2.0 million the amount of revenues received from these sources in Fiscal Year 2017-18. These revenues are forecast to grow by 2.5% annually for the remainder of the forecast period.

Major Assumptions Relating to Operations and Maintenance Expenses. Total operations and maintenance expenses are projected to increase by \$21.6 million, or 25.4%, from Fiscal Year 2017-18 to Fiscal Year 2023-24. The increase is the result of rising personnel costs due in large part to higher health and retirement plan benefit costs, and general expense increases resulting from inflation over the projected period. With the exception of personnel costs, and insurance premiums, the projections assume annual increases of 3.0% in most expense items throughout the forecast period. Insurance premiums rose by 5.0% in Fiscal Year 2018-19, and 14.7% in Fiscal Year 2019-20 based on actual premiums, and are projected to rise 5.0% annually thereafter.

The projections reflect total personnel expense increases of 6.0% per year throughout the forecast period. The increases represent a combination of: (i) salary increases of 3.5% in Fiscal Year 2019-20, 3.25% per year for Fiscal Years 2020-21 and 2021-22, reflecting new MOU’s that the City signed with most unions, and 3.0% thereafter; and (ii) benefit cost increases averaging 10.0% annually. The projections also assume the addition of one new staff position in each year through the forecast period.

Pursuant to the City's Five-Year Financial Plan for Fiscal Year 2019-20 through 2023-24, employer pension contributions to the San Francisco Employee Retirement System are projected to increase to 26.6% in Fiscal 2020-21 from contributions rates of 19.0% to 23.5% for Fiscal Year 2017-18.

Investment Policy and Investments

The Port Commission maintains its operating fund cash and investments and a portion of its restricted asset cash and investments, including moneys constituting Revenues of the Port, as part of the City's pool of cash and investments. Moneys deposited by the Port Commission with the Trustee in the funds and accounts relating to the Series 2020 Bonds are invested in investments constituting "Permitted Investments" under the Indenture, as described in APPENDIX D – "SUMMARY OF THE LEGAL DOCUMENTS – DEFINITIONS" and "– THE MASTER INDENTURE – Funds – Investment of Moneys."

Information on the Port Commission's cash and investments is available in the Audited Financial Statements of the Port Commission ("Financial Statements") for the Fiscal Year ended June 30, 2019, attached hereto as APPENDIX B. For additional information on the external investment pool, the City's investment policies and risk exposure, contact the Office of the Treasurer, City & County of San Francisco, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Regulatory Environment

General. In addition to the Port Commission, a number of local and other regulatory agencies exercise control over Port property and activities including land use planning and development of Port properties. The Port Commission is required to comply with the provisions of a number of federal, state, and local laws and regulations designed to protect and enhance the environment and protect public health and safety. These laws and regulations address a wide range of topics including allowable uses of Port property, hazardous waste management and remediation, water quality, groundwater quality, sediment quality, air quality, environmental impact analysis, oil spill prevention and clean up, and occupational health and safety. These regulations and control measures determine many aspects of the Port Commission's use of its existing properties, as well as new developments on Port property. Four governmental bodies are of particular importance with respect to land use planning and development issues for the Port:

(1) *State Lands Commission ("SLC")* has jurisdiction and oversight responsibilities as to the Port Commission's obligation under the Burton Act to promote the use and development of the Port for public trust purposes of maritime related fisheries, commerce, navigation, recreation and open space; see "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement."

(2) *San Francisco Bay Conservation and Development Commission ("BCDC")* was established by the California Legislature pursuant to the McAteer Petris Act in 1965 to limit fill within the San Francisco Bay, promote maximum feasible public access to the Bay, and protect the Bay and shoreline from inappropriate development. BCDC has permitting authority that applies to development and real estate leasing on the Port's pile supported piers and upland areas within 100 feet of the Bay. BCDC policies applicable to Port properties are contained in the San Francisco Bay Plan, the San Francisco Waterfront Special Area Plan and the Seaport Plan and influence allowable uses of Port property and prioritization of investment of Port resources.

(3) *San Francisco Board of Supervisors* has legislative authority to adopt zoning ordinances and General Plan amendments (in conjunction with action by the San Francisco Planning Commission), and to hear appeals on conditional use authorizations and the California Environmental Quality Act ("CEQA") documents issued by the Planning Commission. The Board of Supervisors also exercises budgetary and fiscal authority over the Port Commission, as with all City departments, including the authority to approve non-maritime leases that either exceed a ten-year term or generate at least \$1 million in total revenue over the term of the lease.

(4) *San Francisco Planning Commission* is the City's established forum for review and discussion of future land use plans and development regulations and projects, for the certification of environmental impact analysis documents pursuant to CEQA, and for the performance of traditional municipal planning review of

development and use proposals to ensure compliance with applicable land use regulations and planning policies. See also “Waterfront Land Use Plan and Waterfront Special Area Plan” below.

The San Francisco Planning Code and Zoning Map classifies the majority of Port waterfront property as “M-1” (Light Industrial), “M-2,” (Heavy Industrial), or “C-2” (Commercial Business). These zoning classifications permit a broad range of commercial and industrial uses and provide for “conditional use authorization” of other specified uses such as housing. While hotels are conditional uses on Port land, San Francisco voters have passed a referendum that prohibits the construction of hotels on piers and on Port property within 100 feet of the shoreline. In addition, Port property between Fisherman’s Wharf and China Basin is classified as within one of two “Waterfront Special Use Districts” established in the Planning Code, which set forth procedures for review of major non-maritime development projects by a Waterfront Design Advisory Committee. The San Francisco Zoning Map establishes a 40-foot height limit on most Port owned property sites. Pursuant to approval by San Francisco voters of Proposition B in June of 2014, any proposal to increase height limits on Port-owned property from the current height limit requires approval by San Francisco voters. The Planning Commission has specific responsibility for certifying CEQA evaluation documents, and in reviewing and approving certain mixed-use Port development projects that include conditional uses. The Port Commission serves as a co-applicant with its tenants or development partners in applying for and securing all required regulatory permits from other public agencies. The Port issues its own building permits.

In addition, four agencies play a significant role in regulating Port Commission activities and have a direct impact on the Port Commission’s activities in the Bay:

(1) *U.S. Coast Guard*, a member of the U.S. Department of Homeland Security, protects ports, waterways and provides coastal security; maintains aids to navigation; enforces laws governing the use of navigable waters; ensures marine safety; conducts search and rescue; performs a commercial vessel traffic monitoring function for the Bay and is responsible for marine environmental protection including the administration of a national oil spill response capability. In addition, the U.S. Coast Guard is the lead agency responsible for the enforcement of all maritime-related rules and regulations of the Department of Homeland Security.

(2) *U.S. Army Corps of Engineers (“Corps”)* provides vital public engineering services to strengthen U.S. security, reduce risks from disasters, develop and maintain Federal maritime infrastructure, and promote environmental restoration. As such, under the Federal Rivers and Harbors Act, the Corps has jurisdiction over fill located beyond the Port’s pierhead line, dredging and dredge sediment disposal by the Port and new in-water Port construction. The Corps also consults with Federal resource agencies on projects that may entail issues involving the Federal Endangered Species Act.

(3) *San Francisco Regional Water Quality Control Board* is the local enforcement agency for the federal Water Pollution Control Act and the State Porter Cologne Water Quality Act, regulating discharges into the Bay, such as wastewater from the City’s wastewater treatment facilities and storm water from municipal and industrial facilities, and discharges, or potential discharges, associated with activities on Port property.

(4) *Bay Area Air Quality Management District* is the public agency entrusted with regulating stationary sources of air pollution in the nine counties that surround San Francisco Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, southwestern Solano, and southern Sonoma counties. From time to time, air quality issues affect operations on land surrounding the Bay, including operations of the Port.

Waterfront Land Use Plan and San Francisco Waterfront Special Area Plan. In November 1990, the voters of San Francisco passed Proposition H which imposed a moratorium on non-maritime development on the Port’s waterfront property pending the completion of a land use plan for the Port’s piers and properties nearest to the shore. Proposition H also banned hotel development on piers and on Port property within 100 feet of the shoreline. In response to Proposition H, the Port Commission determined to develop a comprehensive plan, including all Port properties, and created the Waterfront Plan Advisory Board to recommend a land use plan for Port Commission adoption. In Fiscal Year 1997-98, the Port Commission and the Board of Supervisors adopted the San Francisco Waterfront Land Use Plan (“Waterfront Land Use Plan”), and the San Francisco Planning Commission adopted conforming amendments to the City’s General Plan and Planning Code. The Waterfront Land Use Plan reserves most Port properties for expansion of maritime operations, and requires creation of new public access, recreation

and open space along the Bay. It also identifies sites for compatible new commercial development to improve or rehabilitate important historic buildings and capital assets and to provide additional revenues to subsidize maritime industries, fund new public access and open spaces, and stem the continuing deterioration of the Port's aging properties.

Following local adoption of the Waterfront Land Use Plan, the Port Commission commenced discussions with the BCDC concerning the plan and related regulatory processes. In July 2000, the Port Commission approved amendments to its Waterfront Land Use Plan, and BCDC approved amendments to its San Francisco Bay Plan to create mutually consistent planning policies for the waterfront area between Pier 35 and China Basin (the San Francisco Waterfront Special Area Plan, referred to herein as the "Special Area Plan"). To achieve the objectives of the Special Area Plan, among other things, the Port Commission committed the Port to spend \$30 million over a 20-year period pursuant to benchmarks set forth in the Special Area Plan for the removal of certain piers and the construction of major public plazas and other public access improvements. Under the Special Area Plan, the Port Commission was also permitted to utilize other funding sources (such as grants and contributions) to finance the required pier removals and public access improvements. As of June 30, 2018, the Port has expended \$46.6 million for projects under the Special Area Plan, thereby fulfilling the Port Commission's obligations under this agreement.

The Port initiated an update of the Waterfront Land Use Plan in 2014, beginning with a comprehensive review of project, partnerships and investments made pursuant to the 1997 Waterfront Land Use Plan. In 2015, the Port began a public planning process to update the Waterfront Land Use Plan. With direction from the Port Commission, The Port established a 32-member Waterfront Plan Working Group comprised of representatives and stakeholders from San Francisco and the Bay Area and seven advisory teams to help guide a three-year community engagement process, resulting in recommendations on issues to be updated in the Waterfront Land Use Plan (which is now proposed to be renamed "Waterfront Plan"). The recommendations were endorsed by the Port Commission and the Port published a Draft Waterfront Plan in June 2019 for public review and comment. The Port will work with BCDC on proposed amendments to BCDC's Special Area Plan, to achieve consistent policies in the Port and BCDC plans. The Port Commission will consider approval of the Waterfront Plan after completing the CEQA environmental review process.

Environmental Compliance

The Port is an environmentally sensitive area with a long history of intensive commercial and industrial use. The Port's environmental risk exposure is typical of other areas with a historical mix of light industrial activities dominated by transportation, transportation related, and warehousing activities. Due to 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 at the Port that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste. Port facilities are also vulnerable to oil spills and other hazards of maritime activity.

At any given time, there may be many projects of varying size and scope underway at the Port, and the Port may be involved in any number of regulatory proceedings involving the environmental compliance agencies referred to above, relating to environmental conditions on its many properties. Port properties contain several sites that are or have been subject to cleanup or monitoring orders by state agencies or are managed in accordance with a site-specific environmental risk management plan. There are a number of sites that may require additional remediation to achieve regulatory closure and compliance. For most of these sites, entities other than the Port Commission (*i.e.* former facility operators or private development partners who have assumed environmental cleanup responsibility) have been identified as primarily responsible for closure and remediation, however, in all cases, the Port, as the property owner, is also potentially liable. Certain of such matters are discussed in detail below.

Environmental compliance is managed by environmental professionals with varying backgrounds in environmental science, industrial hygiene, and regulatory analysis working within the Port's Planning and Environment Division and Maintenance Divisions.

Port properties do not include any hazardous waste sites listed on the National Priority List by the US EPA ("Superfund sites") or the state equivalent.

Environmental matters impacting the Port are described in Note 17 of the Financial Statements of the Port Commission attached hereto as APPENDIX B. These environmental matters include:

Mission Bay Ferry Landing. In conjunction with planning and pre-design studies for construction of the new Mission Bay Ferry Landing, the Port identified contaminated sediment that requires remediation. This contamination is attributable to the historic fuel terminal operations of multiple oil companies within the Mission Bay area and the former Piers 64 and 66 (both since removed). Initial dredging to enable vessel access to the new ferry landing, and ongoing maintenance dredging will remove contaminated sediment. The Port is in negotiations with the responsible parties and regulators to initiate investigation and remediation of additional contamination outside of the area to be dredged.

Pier 39-45 Sediment Contamination. In recent years, sediment testing prior to dredging by Port tenants in the Fisherman's Wharf area, between Piers 39 and 45 revealed sediment contamination that is attributable to Pacific Gas & Electric's ("PG&E") former manufactured gas plant operations in the vicinity. The Port is working with PG&E to facilitate and oversee PG&E's continued investigation and development of a remedial action plan. In May 2018, PG&E executed a cost reimbursement agreement with Port tenant, Pier 39 LLC, whose operations are impacted by this contamination, and to reimburse tenants for the incremental increase in cost to test and dispose of dredged material due to the presence of contamination. PG&E filed for bankruptcy in January 2019. Subsequent hearings in bankruptcy court indicate that PG&E will continue to meet environmental remediation obligations as directed by regulatory agency or prior settlement agreements, and PG&E has done so since the bankruptcy filing. In May 2019 the bankruptcy court approved, and PG&E signed a cost reimbursement agreement with the Port, under which PG&E will reimburse the Port for the Port's costs related to overseeing investigation and remediation of contaminated sediment in the Fisherman's Wharf area that is attributable to PG&E's historic operations.

Pier 70 Redevelopment. The "Pier 70 Area" is an approximately 69-acre site that includes Crane Cove Park, two areas that are under redevelopment by private real estate developers in partnership with the Port, and a former ship repair facility that has been out of service since early 2017. The Pier 70 Area is one significant example of property mentioned above, where contaminants such as metals, petroleum hydrocarbons, and polychlorinated biphenyls are present in soil and, to a limited extent in groundwater and/or sediment, and where other responsible parties, including former facility operators or private development partners, have assumed responsibility for environmental remediation. At Pier 70, the Port's development partners have assumed responsibility for environmental remediation within approximately 35 acres of the site and are either in the process of, or to a significant extent have completed, environmental remediation.

Also within the Pier 70 Area, PG&E is responsible for certain contamination on Port property that is attributable to PG&E's former manufactured gas plant operations at the Potrero Power Plant, adjacent to the south east portion of Port-owned property. PG&E has completed remediation of contaminated land within the Pier 70 Area and is in the process of remediating contaminated sediment off-shore in Port-owned submerged lands.

The Port's construction of the approximately 13-acre Crane Cove Park will accomplish remediation of contaminated soil and a portion of the identified contaminated sediment along the northern shoreline of the Pier 70 Area. Additional remediation of sediment east of the Crane Cove Park boundary may be required depending on future use of the former ship repair facility.

The Port Commission has designated the Pier 70 Special Use District as a Special Facility. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Additional Bonds and Other Obligations - *Special Facilities and Special Facility Bonds.*"

Municipal Stormwater Management. The State of California regulates pollutants in stormwater runoff through, among other mechanisms, a state-wide permit for municipalities. This state-wide permit is a common standard that regulates storm water discharges and imposes more stringent requirements on small and large municipal permittees. The Port is treated as a small municipal permittee. To comply with the permit, the Port incurs costs to develop, implement, and enforce permit program areas including public education and outreach, illicit discharge detection and elimination, construction site plan review, and post-construction stormwater control. The Port largely assumes the costs to comply with the existing permit; although some post-construction stormwater design and control costs are borne by tenants and private developers. The state has proposed a revision to this

permit that would remove the distinction between small and large permittees. It is uncertain whether this proposal will be implemented, and there is not yet a draft of a proposed new permit to analyze. Discussions with the state suggest a new permit will place a greater burden on the Port but it is unclear if compliance would be more difficult.

Municipal Sanitary Sewer System. In 2006 the State of California Water Resources Control Board issued Waste Discharge Requirements to California municipalities requiring development of programs to control overflows from sanitary sewer collection systems (Order No. 2006-0003-DWQ, or the "Order"). Among the specific obligations specified in the Order, the Port is required to assess its sanitary sewer infrastructure and develop a capital program to repair and replace deficient sewers. In 2010 the Port Commission completed an initial assessment of the sanitary sewer infrastructure over water. [update] Based upon this assessment the Port Commission developed an under-pier utility improvement program. This includes an annual inspection of each facility. Small repairs are funded through the Port's annual appropriations. Larger repairs are beyond the scope of the annual inspection and response program. These repairs are programmed and financed through the Port's Five Year CIP. Capital projects that require repairs to below-deck utility infrastructure must include funding for relocating these utilities above pier decks, where possible, to eliminate the greatest environmental and regulatory risk.

Port Tenants. Port tenant operations at times pose an environmental risk to the Port area. Proposed Port tenant operations are reviewed by Port Commission staff for environmental risk and, where appropriate, tenants are required to make an environmental oversight deposit, maintain environmental management insurance, develop operations plans that describe major operations and associated environmental best management practices, and/or conduct operations in a manner that will reduce the risk of potential environmental hazards. Port Commission staff also conduct environmental inspections of tenant leaseholds periodically throughout the lease duration and as part of lease termination and tenant vacancy procedures.

Regulatory Compliance. There is no assurance that the costs to the Port Commission of compliance with environmental and health and safety laws will not increase significantly in the future. In addition, the Port currently estimates that a portion of its accumulated deferred maintenance and facility improvement needs for its maritime and commercial properties are attributable to environmental compliance. It is expected that the Port Commission will undertake these projects over the next several years as and if funding becomes available. See "CERTAIN RISK FACTORS – Condition of Port Facilities" and "– Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation."

Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation

The Port is subject to a wide variety of local, state, and federal transportation and environmental laws. Such laws include mandates with respect to the Port's properties and operations conducted thereon, including but not limited to regulations governing uses of Port property, air emissions, stormwater compliance and discharges to San Francisco Bay, and handling of hazardous materials. The regulations governing the use of Port property and activities conducted on it are likely to evolve and become more restrictive over time.

The Port is currently subject to environmental compliance orders issued by regulatory agencies with purview over Port property or voluntary oversight by such agencies associated with known or suspected contamination of Port property or groundwater. These agencies include the San Francisco Bay Regional Water Quality Control Board and the San Francisco Department of Public Health. These orders and voluntary oversight typically arise from the activities of former Port tenants who are the primary responsible parties for such contamination. It is likely that future environmental investigations of Port property will identify contamination that will result in additional orders and/or voluntary oversight. In some of these cases, the Port may have difficulty identifying parties responsible for the subject contamination. The costs to the Port to implement the compliance measures required by such orders and mandates are included as Operation and Maintenance Expenses of the Port, and are substantial. Such regulations are subject to amendment from time to time, and any such amendments could require the Port to undertake additional, costly compliance measures. The costs of such compliance measures and amendments could materially increase the Port's operating costs and thereby adversely affect Net Revenue.

The Port Area includes properties on which hazardous substances have been located. It is likely, due to the nature of past operations on Port properties, that additional Port properties will be found to have hazardous substances located on them. See "PORT COMMISSION FINANCIAL OPERATIONS – Environmental

Compliance.” The Port as the owner of contaminated property may be liable in the event of a determination of the presence or discharge of hazardous substances on its property, irrespective of its knowledge of the presence or discharge of such substances, or its lack of responsibility for the existence of such substances on its property. Costs of remediation of these substances, if required, could be extremely high and could exceed the value or revenue generation potential of such properties. The costs of remediation could materially increase the Port's Operation and Maintenance Expenses and could thereby adversely affect the Net Revenue available to make debt service payments on the Series 2014 Bonds and the Series 2020 Bonds. Insurance coverage for the costs of environmental liability of the Port may be limited and many such costs are not covered by commercial insurance policies.

Risk Management and Insurance

The Port Commission utilizes the services of the City's Risk Manager. The Risk Manager advises the Port Commission and is responsible for directing and coordinating the purchase of insurance and the recovery for insured and uninsured losses. Liability claims are administered by the City Attorney's Office and the Risk Manager. Additional information relating to risk management and insurance is provided under Note 18 of the Port's audited financial statements, attached hereto as APPENDIX B.

The Port Commission imposes certain risk transfer requirements on its tenants, vendors and contractors. The Port Commission's policies generally require that each agreement with an entity doing business with the Port contain provisions to defend and indemnify the Port Commission from losses arising out of that entity's activities and to maintain specified levels of insurance coverage as a financial guarantee. The Port Commission and the City are named as additional insureds under those policies. Rental income and business interruption insurance may be required from tenants to be maintained on property leased or assigned. Rental income insurance provides for the continuation of payments in case of fire or other extended coverage loss for the time required to repair or reconstruct damaged facilities. Port Commission staff use a computer-based insurance certificate tracking system to assist in ensuring that Port tenants remain in compliance with their insurance requirements.

In November 2007, the Port Commission adopted an environmental risk management policy and financial assurance requirements for Port tenants with real property agreements. The purpose of the policy is to manage risk and minimize the Port's potential environmental liability. Pursuant to the policy, every new lease, lease renewal, lease amendment, sublease, lease assignment, license, and permit-to-enter is subject to review for applicability of the Port financial assurance requirements. Tenants whose operations are determined by Port staff to pose a significant environmental risk are required to post a \$10,000 environmental oversight deposit to be used to reimburse the Port for staff costs and administrative expenses associated with a notice of violation or enforcement action issued to the tenant by an environmental regulatory agency. In addition, an environmental performance deposit, in the form of cash, a standby letter of credit, or other form of deposit acceptable to the Port Commission, may be required to cover any cost incurred by the Port caused by the tenant's failure to meet any of its environmental obligations. The size of the environmental performance deposit is determined by Port environmental staff after an assessment of the tenant's operations and the estimated cleanup cost of a tenant caused environmental incident.

The Port Commission is required to maintain throughout the term of the Indenture insurance or Qualified Self-Insurance on the Port Area against such risks as are usually insured by other ports which are similar in their operations to the Port Area. Such insurance or Qualified Self-Insurance will be maintained in an adequate amount as to the related risk as determined by the Port Commission. The Port Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity. The Port Commission may self-insure against any of the risks required to be insured against. The Indenture further provides that Qualified Self-Insurance is to include reserves or reinsurance in amounts which the Port Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance including, without limitation, any potential retained liability in the event of the termination of such Qualified Self-Insurance.

The Port Commission purchases commercial insurance policies to cover catastrophic and other losses, other than earthquake risk, that cannot prudently be assumed by the Port Commission. Those policies currently include all categories of insurance coverage that the Port Commission deems reasonable in light of its current operations. Total commercial insurance premiums for all coverage for Fiscal Year 2018-19 were approximately \$2.8 million.

The Port Commission pays workers' compensation costs out of current revenues and budgetary reserves. The Port Commission paid approximately \$544,000 in Fiscal Year 2017-18 and \$433,000 in Fiscal Year 2016-17 for this purpose.

The Port Commission does not maintain commercial insurance coverage for property damage resulting from earthquakes or tsunamis. Commercial earthquake or tsunami insurance is not available at commercially reasonable rates, with both premiums and deductibles being prohibitively high. The Port Commission does not expect to maintain commercial earthquake or tsunami insurance coverage in the foreseeable future. Other risks, such as losses to its fleet of vehicles from terrorist activities, are not covered by any Port commercial insurance policies. The Port Commission would expect to address any losses resulting from any uninsured casualty or occurrence, in whole or in part, from FEMA grant funds, as and to the extent such grant funds are available, and from its budgetary reserves.

Labor Relations

As a department of the City, the Port Commission's employment policies are governed by the City Charter, which, since 1976, has prohibited strikes by City employees. The Charter authorizes the San Francisco Civil Service Commission to establish rules and procedures to implement Charter mandates.

As of [June 30, 2018], the Port Commission had 261 full-time equivalent employees. There are presently 18 labor unions representing Port employees. With the exception of the Port Executive Director, all Port employees bargain collectively for wages, hours, benefits and other conditions of employment.

Collective bargaining agreements are generally adopted for a term of one to three years. Impasses between the represented employees and the City in collective bargaining are resolved by an arbitration panel whose decisions are final. There have been no strikes by City employees since the adoption in 1976 of the strike prohibition.

The Port Commission's employees participate in the retirement plan ("Plan") established by the City for all City employees. The Port Commission is responsible for employer contributions to the Plan on behalf of Port Commission employees. Employer contributions are a component of the Port Commission's Operation and Maintenance Expenses. Additional information on the Plan is provided under Note 10 of the Port's audited financial statements, attached hereto as APPENDIX B.

Since Fiscal Year 2003-04, substantially all employees have assumed full responsibility for the mandatory employee contribution pursuant to the Plan. See "- Employee Benefit Plans."

Employee Benefit Plans

Port Commission employees are City employees, and Port benefit plans are the same as for other employees of the City. The following provides certain benefit plan information both on a City-wide basis and with respect to Port employees. The actuarial assessments herein are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plan. Prospective purchasers of the Bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the Bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Pension Plan

Retirement System Pension Plan Description. The Port Commission participates in the City's defined benefit retirement plan ("Plan"), which is administered by the San Francisco City and County Employees' Retirement System ("SFERS"). The Plan covers substantially all full-time employees of the Port along with substantially all other employees of the City and certain other employees. The Plan provides basic service retirement, disability, and death benefits based on specified percentages of final average salary and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The Charter and the

Administrative Code establish the benefit provisions and employer obligations of the Plan. SFERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, San Francisco, CA 94103 or by visiting www.mysfers.org.

SFERS Actuarial Financial Information. Table 14 below shows financial information concerning the Retirement System for Fiscal Years 2014-15 through 2018-19. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for Fiscal Years 2014-15 through 2018-19.

Table 14
CITY AND COUNTY OF SAN FRANCISCO
Fiscal Years 2014-15 through 2018-19
(Amounts in Thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19
Market Value of Plan Assets	\$ 20,428,069	\$ 20,154,503	\$ 22,410,350	\$24,558,000	
Actuarial Value of Plan Assets	19,653,339	20,654,700	22,185,200	23,866,000	
Actuarial Liability (AL) of Plan	22,970,900	24,403,900	25,706,100	27,335,400	
Unfunded Actuarial Liability (actuarial value)	3,317,561	3,749,200	3,520,900	3,469,400	
Market Percent Funded	88.9%	82.6%	87.2%	89.8%	
Actuarial Percent Funded	85.6%	84.6%	86.3%	87.3%	
Employee & Employer Contribution in prior Fiscal Year	\$ 894,325	\$ 849,569	\$ 868,653	\$ 983,763	
Employer Contribution Rates	26.76%	22.80%	21.40%	23.46%	

Table 14 reflects that the Fiscal Year 2017-18 Actuarial Percent Funded ratio increased to 87.3%, corresponding to an unfunded actuarial liability ("UAL") of approximately \$3.47 billion. The UAL is the difference between the Actuarial Value of Assets and the Actuarial Value of Plan Assets. This means that as of June 30, 2018, for every dollar of pension benefits the City is obligated to pay, it had approximately \$0.87 in assets available for payment, if the assets were liquidated as of such date.

City Projected Pension Costs; City Contributions. In its Five-Year Financial Plan for fiscal year 2019-20 through 2023-24, the City projects that future employer contribution rates will increase to 26.6% for fiscal year 2020-21 as the SFERS recognizes certain assumptions that reflect lower anticipated future investment returns including a discount rate of 7.4%, which is lower than the 7.5% discount rate previously adopted by SFERS, and an estimated SFERS portfolio value as of January 31, 2019 projecting a year-to-date return of 1.0% for fiscal year 2018-19. The City projected employee pension costs, wages and other benefit growth will be the single largest driver of cost growth and the imbalance between revenues and expenditures in the City's finances, growing by \$630 million (43% of the total expenditure growth) between fiscal year 2019-20 and fiscal year 2023-24 (the City currently projects revenue growth of \$769 million and expenditure growth of \$1.46 billion over the same five-year period).

Port Contribution. Contributions are made to the Plan by both the Port Commission and its employees. As the employer, the Port is required to contribute at an actuarially determined rate, which during the last five years ranged from 17.90% to 26.76% as a percentage of that portion of members' earned wages.

Asset Management and Actuarial Valuation. The assets of SFERS, (“Fund”) are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds global equities, liquid credit, private credit, real assets, private equity and hedge funds/absolute return funds. The investments, their allocation, transactions and proxy votes are regularly reviewed by the SFERS board (“Retirement Board”) and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the SFERS investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from SFERS by writing to the San Francisco Retirement System, 1145 Market Street, San Francisco, California 94103, or visiting www.mysfers.org. Certain documents are available at the SFERS website at www.sfers.org. These documents are not incorporated herein by reference.

The liabilities of the Retirement System (“Pension Benefit Obligation”) are measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice.

As of June 30, 2018, SFERS estimated that the market value of its assets was approximately \$24.56 billion. The estimated market value represents, as of the date specified, the estimated value of the SFERS portfolio if it were liquidated on that date. Investments are reported at fair value and securities that do not have an established market are reported at estimated fair value derived from third party pricing services. Representations of market valuations are not subject to audit (other than at year end). More information about pricing and valuing securities can be found in the SFERS financial statements at www.mysfers.org.

Financial Statement Reporting for pensions incorporates actuarial information and rules issued by the Government Accounting Standards Board (GASB). GASB Statement No. 67 (“GASB 67”), Financial Reporting for Pension Plans and GASB Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions provides guidance for accounting and reporting on the pensions. The City and the Port implemented GASB 67 in fiscal year 2013-14 and GASB 68 in fiscal year 2014-15. Under GASB 68 the SFERS Pension Plan is a cost sharing multiple employer plan. The City and County of San Francisco is the predominant participant in the Plan. As the Port is a department of the City it was allocated a portion of the City and County of San Francisco’s net pension liability and other related pension items. The chart below reflects key data disclosed in accordance with GASB 68.

Table 15
CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System (GASB 68)
For the Fiscal Years 2014-15 through 2018-19
(Amounts in Thousands)

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
SFERS Plan Net Position	\$19,920,607	\$20,428,069	\$20,154,503	\$22,410,350	\$24,557,996
Total Pension Liability (TPL)	21,691,042	22,724,102	25,967,281	27,403,715	
SFERS Plan Net Pension Liability	1,770,435	2,296,033	5,812,778	4,993,365	
City's Portion of SFERS Plan Net Pension Liability	1,660,365	2,156,049	5,476,654	4,697,131	
Port's Net Pension Liability	\$16,574	\$21,291	\$43,730	\$47,636	
SFERS Plan Fiduciary Net Position as a Percentage of TPL	91.84%	89.90%	77.61%	81.78%	
Employer Contributions (SFERS Plan)	\$565,091	\$496,343	\$519,073	\$582,568	
Port's Allocation Employer Contribution	\$4,989	\$5,555	\$4,485	\$4,891	
Employer Contribution Rates (SFERS Plan)	22.26% to 26.76%	18.30% to 22.80%	17.90% to 21.40%	18.96% to 23.46%	
Employee Contribution Rates	7.5% to 13.0%	7.5% to 13.0%	7.5% to 13.0%	7.5% to 13.0%	

Source: City & County of San Francisco GASB 67/68 Report and City & County Audited Comprehensive Annual Financial Reports (CAFRs)

The primary source of the information in the above table is the City & County of San Francisco GASB 67/68 Report prepared by the City's actuarial consultants. The GASB 67/68 Report is appropriate for preparing financial statements, but not appropriate for the measurement of funding requirements for the Plan. With GASB 67/68 there is an emphasis on certain items including Net Pension Liability, SFERS Plan Fiduciary Net Position as a Percentage of Total Pension Liability and employer contributions.

Net Pension Liability ("NPL") is the difference between the value of the SFERS Pension Plan Net Position and the actuarial determined Total Pension Liability ("TPL"). The Port's Statement of Net Position includes a Net Pension Liability (NPL) of \$47.6 million while the City's NPL was \$4.7 billion and the Plan's NPL was \$4.99 B. The Port's NPL is included in the City's NPL of \$4.7 billion as the Port is a department of the City. There is a difference between the SFERS Plan NPL and the City's NPL because there are other participants in the SFERS Pension plan, with the City being the most significant participant. The fiscal year 2017-18 NPL is measured as of June 30th, 2017 using an actuarial valuation date of June 30th, 2016, which is updated to June 30th, 2017.

SFERS Plan Fiduciary Net Position as a Percentage of Total Pension Liability is a ratio to measure the level of assets available to meet the total pension obligation. As of the end of fiscal year 2017-18 the Plan held assets to meet 81.78% of its total pension obligation. Employer contributions for the SFERS Plan in financial reporting year 2017-18 was \$582.6 million, while the Port made \$4.9 million in allocated employer contributions.

More pension information can be found in Port's financial statements located at www.sfport.com and the Citywide Comprehensive Annual Financial Report ("CAFR") located at www.sfcontroller.org.

Health Retiree Benefits

Health Care Benefits. Health care benefits of Port Commission employees, retired employees and eligible dependents are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System. The Port Commission's annual contribution is determined by a Charter provision. The Port Commission's payments for all health care benefits for the last five fiscal years are shown in the following table.

Table 16
PORT OF SAN FRANCISCO
Health Care Benefit Payments
For the Fiscal Years Ended June 30,

<u>Year</u>	<u>Health Care Benefit Payments</u>
2015	\$4,340,000
2016	4,406,000
2017	4,836,000
2018	5,000,500
2019	_____

Source: Port Commission.

The Health Service System issues a publicly available financial report that includes financial statements for the health care benefits plan. The report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or visiting by www.sfhss.org. Such report is not incorporated herein by this reference.

Postemployment Health Care Benefits

Other Postemployment Health Care Benefits ("OPEB"). The Port participates in a multiple employer defined benefit other postemployment benefits plan ("OPEB Plan"). The Plan is maintained by the City and is administered through the City's Health Service System. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The assets of the OPEB Plan are held in a Retiree Health Care Trust Fund ("RHCTF"). As of fiscal year-end 2017-18 the OPEB Plan provided postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners.

Retiree Health Care Benefits

Medical:	PPO - City Health Plan (Self-insured) HMO - Kaiser (fully-insured) and Blue Shield (flex-funded)
Dental:	Delta Dental and DeltaCare USA
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan

Contributions – Benefits provided under the 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 Health Care Trust Fund ("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 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 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 GASB Actuary has determined that the City's portion of the 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 year ended June 30, 2018, the City's funding was based on "pay as you go" plus a contribution of \$25,839,000 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was \$178,019,000 for a total contribution of \$203,858,000 for the fiscal year ended June 30, 2018. The Port's proportionate share of the City's contributions for fiscal year 2017-18 was \$1,686,000.

Financial Statement Reporting for Other Postemployment Health Care Benefits follows new standards. The City and Port in accordance with Governmental Accounting Standards Board Statement 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions reported the OPEB liability and related information for unfunded OPEBs in its financial statements beginning fiscal year 2007-08. In fiscal year 2017-18, the City and the Port implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which superseded GASB 45 and significantly changed how Net OPEB Liability ("NOL") was measured. GASB 75 follows the same methodology that is used in GASB 68, Accounting and Financial Reporting for Pensions. As of fiscal-year 2017-18 both pension liabilities and postemployment health care liabilities follow the same methodologies for measurement and financial reporting.

Tables 17 and 18 provide details of OPEB Plan contributions and liabilities for the City and Port over the past several fiscal years as reported by the City.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 17
PORT OF SAN FRANCISCO
Other Postemployment Benefits (GASB 45)
For the Fiscal Years Ended June 30th
(Amounts in Thousands)

<u>Port</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual required contribution	\$ 3,232	\$ 2,759	\$ 3,209
Interest on Net OPEB Obligation	736	876	872
Adjustment to annual required contribution	(614)	(713)	(353)
Annual OPEB cost (expense)	3,354	2,922	3,728
Contribution made	(1,354)	(1,369)	(1,508)
Increase in Net OPEB obligation	2,000	1,553	2,220
Net OPEB obligation - beginning of year	18,091	20,091	21,644
Net OPEB obligation - end of year	<u>\$ 20,091</u>	<u>\$ 21,644</u>	<u>\$ 23,864</u>

<u>City</u>			
City Net OPEB obligation - end of year	\$1,990,155	\$2,147,434	\$2,384,938

Table 18
PORT OF SAN FRANCISCO
Other Postemployment Benefits (GASB 75 supersedes GASB 45)
For the Fiscal Years Ended June 30th
(Amounts in Thousands)

<u>City</u>	<u>2018</u>	<u>2019</u>
Plan Fiduciary Net Position	\$ 174,477	
Total OPEB Liability (TOL)	3,891,686	
Net OPEB Liability (NOL)	3,717,209	
Plan Fiduciary Net Position as Percent of TOL	4.5%	
Covered Payroll	3,393,658	
NOL as Percent of Covered Payroll	109.5%	
 <u>Port</u>		
Port's allocation of Citywide OPEB	0.83%	
Net OPEB Liability (NOL)	<u>\$30,750</u>	

Source: City & County of San Francisco Postretirement Health Plan GASB 74/75

The primary source of the fiscal year 2017-18 OPEB information in the above table is the City & County of San Francisco Postretirement Health Plan GASB 74/75, prepared by the City's actuarial consultants. The GASB 74/75 Report is appropriate for preparing financial statements, but not appropriate for the measurement of funding requirements for the OPEB Plan. With GASB 74/75 there is an emphasis on certain items including Net OPEB Liability, Plan Fiduciary Net Position as a Percent of Total OPEB Liability. Net OPEB Liability – For Fiscal Year 2017-18, the Port's Net OPEB Liability was \$30.75 million, which was 0.83% of the City Net OPEB Liability of \$3.7 billion. As the Port is an enterprise department of the City it receives an allocated share of the City's NOL. The Plan Fiduciary Net Position in fiscal year 2017-18 of \$174.5 million is primarily the value of assets held in the Retiree Health Care Trust, which represents approximately 4.5% of the Total OPEB Liability of \$3.9 billion, which means the OPEB Plan is significantly underfunded.

More financial information about the OPEB Plan can be found in the Port's Financials Statements located at www.sfport.com and the City's CAFR located at www.sfccontroller.org.

PORT CAPITAL IMPROVEMENT PROGRAM AND DEVELOPMENT STRATEGY

Most of the capital assets of the Port were constructed for use in the pre-containerized cargo shipping industry and, while still in usable condition, are reaching the end of their useful structural life. Many of the piers and building structures were originally constructed between 50 and 100 years ago and are historically significant. Of those, only ten – Oracle Park, the Ferry Building, Pier 1, Piers 1½, 3 and 5, Pier 15, Pier 27, Pier 39, Pier 45, Pier 48 and Pier 80 – have been improved by a major rehabilitation since 1969. The Port has also removed an additional 16 piers and nearly one million square feet of pile supported structures over the past 30 years to create open vistas, build new marinas and eliminate public safety, navigational and fire hazards. Recognizing the historic significance of the Port's facilities, the National Park Service has designated two National Register Historic Districts along the Port, the Embarcadero National Register Historic District from Pier 45 in the north to Pier 48 in the south and a portion of the Pier 70 area in the Port's Southern Waterfront.

The Port faces significant maintenance challenges as a result of the age and condition of Port facilities, as well as their location, on filled tidelands in an active seismic area. The Port must also manage the complexities of operating in a marine environment. Wet and dry cycles due to tidal and storm movement of the Bay waters cause the pier substructures including the piles supporting the piers and the aprons that surround the pier sheds, as well as the under-pier utilities, to degrade rapidly. In order to remain functional, code-compliant and in usable condition many Port facilities require capital improvements. Currently, many of the Port Commission's leased facilities need repairs and seismic upgrades that limit the Port's ability to realize potential lease revenues. Without the necessary repairs, the facilities will continue to deteriorate and will eventually be condemned, resulting in the loss of leasable space.

Facility Assessment Program

Formalized in 2002, the Port's Facility Assessment Program inspects, categorizes and records the condition of the over 350 piers, wharves and buildings in the Port area. The Port's Facility Assessment Team manages the program, conducts periodic inspections to identify health and safety issues, and informs tenants and the public about its findings. The Facility Assessment Team is comprised of civil and structural engineers (primarily Port staff, but also some outside contractors) who perform facility inspections and non-engineering Port staff who provide support in addressing legal and lease-related matters arising out of the inspections. The frequency of the inspections varies by facility and depends on the type of building material and the type of occupancy or use of the facility. Based on the structural condition of each facility, the Facility Assessment Team makes recommendations for barricades and warning signs. The inspection findings are used to document maintenance and repair needs for the Port facilities.

Capital Improvement Program

The Port prepares two capital planning documents, a Ten-Year Capital Plan and a Five-Year Capital Improvement Program ("Five-Year CIP"), in alternating years to prioritize its capital investments. The Ten-Year Capital Plan provides a full inventory of capital needs and projected funding sources to allow the Port to identify and develop strategies for addressing unfunded need. The Port uses its Five-Year CIP to prioritize investments biennially. The Port submits the first two years of the Five-Year CIP as its two-year capital budget for review and approval by the Board of Supervisors and the Mayor. See "PORT COMMISSION FINANCIAL OPERATIONS – Port Commission Operating and Capital Budget Processes." The Port's current Five-Year CIP, updated for Fiscal Years 2018-19 – 2022-23 was adopted by the Port Commission on February 27, 2018, and is further described under "Five-Year CIP" below. Copies of the Five-Year CIP can be found on the Port's website at www.sfport.com.

The Fiscal Year 2018-19 – 2022-23 CIP details the capital projects the Port anticipates funding and initiating over the next five years. This specific work program represents a prioritized subset of the capital work identified in the Port's Ten Year Capital Plan. A Technical Review Committee composed of Port staff prioritized projects for inclusion in the CIP. The capital investments support the seven goals laid out in the Port's Strategic Plan, particularly the goal of Stability, which aims to: "Maintain the Port's financial strength by addressing deferred maintenance, maximizing the value of Port property and increasing revenue."

Port staff updates the CIP every two years, in conjunction with the City's biennial budget development.

The Port is updating its planning process for the Fiscal Years 2020-21 – 2024-25 CIP to collect more accurate facility condition information, improvement project cost estimates and allow Port staff to develop and evaluate a comprehensive list of capital needs for its facilities. During this planning process, the Port will perform a comprehensive facility condition assessment on ten facilities, including both piers and buildings, evaluating all structural elements of the facilities, including substructure and superstructure, as well as building systems. The goal of the process is to develop Five-Year CIP projects that will improve entire Port facilities rather than address individual, unconnected facility improvements, i.e., combining all necessary facility repairs and improvements into a single project, rather than simply replacing a roof or some other system and returning to the facility during a later budget cycle to address other issues. This approach will allow the Port to improve project efficiency, reduce the time it takes to improve a facility and potentially facilitate quicker leasing as a result.

Capital Projects and Needs. The \$579 million of work proposed in the Five-Year CIP is funded through a mix of internal Port revenue (\$126 million) and external sources (\$453 million) that supports both new projects and previously appropriated projects requiring additional funds to complete. Additionally, the Fiscal Year 2018-19 – 2022-23 CIP funds a new investment in a Port Project Management Office to ensure delivery of capital projects in a timely and efficient manner.

Potential Funding Sources. To balance the broad capital needs of the Port, the department uses a deliberate approach focused on: 1) dedicating 25% of Port revenues to capital; 2) making strategic investments that support the Port's mission; and 3) seeking outside funding sources to help address the shortfall in funding for upkeep of Port facilities and for enhancement projects, such as parks, that do not generate revenue for the Port.

Securing external funding from grant programs, other governmental sources, and public-private partnerships is key to addressing the Port's capital needs and to support non-revenue generating enhancements such as parks and open-space. The Port is successfully pursuing such sources; external sources compose nearly 80% of the projected capital investment over the next ten years. The diversity of external sources identified by the Port has also grown in recent years to include new Infrastructure Financing Districts ("IFDs"), a limited property tax increment pledge for shoreline resiliency, and a new \$425 million General Obligation Bond for the Seawall Program. The Port's public-private partnerships, including the development projects at Mission Rock and Pier 70, will enable approximately \$500 million in renewal and enhancement of Port infrastructure over the next ten years. In particular, the local special use districts that the Port has created to support these large development projects will be an essential financing tool to address Port capital needs.

Recently Completed Capital Improvement Projects

The Port has improved its capital assets and capital future in many ways. The following are highlights from the last twelve months:

Pier 23 Mechanical Electrical Plumbing Upgrade. The Pier 23 Mechanical Electrical Plumbing Upgrade Project improved the lighting, water and sewer systems at Pier 23. Work scope included the replacement of the existing water service with a 4-inch water service, running the length of the shed, with a new backflow preventer. The project also installed an above-deck 8-inch sanitary sewer riser that will allow for future above-deck sewer connections. Additionally, the project replaced existing shed lighting with new energy efficient LED fixtures and installed emergency egress lighting for safety.

Pier 45 Public Restroom Improvement. This project constructed a new men's and women's public restroom building inside Pier 45 Shed A. The new public restrooms consist of a 400 square-foot structure adjacent to two existing single-user restrooms constructed in 1993. These restrooms will provide public restroom facilities at Fisherman's Wharf.

Pier 31.5 (Alcatraz Ferry Embarkation) Substructure Repair. Pier 31.5 is the site of the National Park Service's Alcatraz Ferry operations. This project included repairs to the Pier 31.5 marginal wharf and infill wharf and adjacent apron substructures; repairs to portions of the Pier 33 substructure and apron; repairs to a portion of the Pier 31 shed substructure; and installation of sleeves on some concrete apron piles at Pier 31. The repair also included upgrading the entire driveway along the Pier 31.5 marginal wharf to accommodate heavy loads.

Pier 94 Backlands Improvements Project. The Pier 94 Backlands is an approximately 47-acre expanse of formerly largely undeveloped land in the Port's southern waterfront area bounded by Amador Street and Cargo Way. This project made improvements to approximately 23 acres of the site to create approximately 10.5 acres of leasable land parcels. The improvements included creation of a storm water management system, landscaping, capping of a regulated landfill area, lighting and other utilities, and the construction of a new access road.

Pier 68 Shipyard Power Relocation and High Voltage Redistribution Project. The Shipyard Power Relocation and High Voltage Redistribution Project replaced aged electrical infrastructure throughout the Pier 68 Shipyard. This project removed, replaced and properly disposed of all PCB oil-containing transformers and electrical equipment located at the shipyard, and installed new switch gear and power routing equipment that will allow for more efficient and effective power consumption and use at the facility.

Pier 27 Passenger Shelter. This project installed a steel-framed passenger shelter, approximately 2,600 square-feet, at the ground transportation area of the Pier 27 Cruise Terminal. The new passenger shelter replaced the temporary non-permitted shelter and provides weather protection for cruise passengers transferring to and from the cruise terminal by bus or automobile.

Ongoing and Future Capital Projects

Ongoing Projects. Each year, the Port capital budget funds deferred maintenance and improvement of existing systems and Port facilities. Among other things, this work includes dredging to maintain the depth of the berths at the Port's piers to accommodate water traffic, as well as projects designed to enhance the Port's facilities including infrastructure investments needed to attract new development on Port property.

Bond Funded Projects. The Port has benefitted from three general obligation bonds over the past 11 years. City voters approved Proposition A – Clean and Safe Neighborhood Park General Obligation Bonds in February 2008, authorizing the issuance of \$33.5 million of City general obligation bonds to finance certain waterfront parks on Port property. In November 2012, City voters approved Proposition B – Clean and Safe Neighborhood Park General Obligation Bonds, authorizing the issuance of \$34.5 million of City general obligation bonds, to finance certain parks and waterfront open spaces on Port property. In November 2018 voters passed Proposition A – Embarcadero Seawall Earthquake Safety Bonds to support seismic and flood improvements to the Embarcadero Seawall.

Real Estate Development Projects. Since the 1970s, the Port has used public-private partnerships as its primary tool for redeveloping its property. Completed development projects have helped address the Port's deferred maintenance capital needs and provided a source of new revenues.

The Port anticipates that major real estate development projects, including the Pier 70 Waterfront Site project and the Mission Rock project, will address approximately \$90 million of the Port's deferred maintenance capital needs over the next ten years. These development projects involve a variety of project risks, including development, entitlement, financial, construction, project completion, market and operating risks; but with few exceptions, generally no immediate negative risk to revenues.

In its public-private development projects, the Port seeks to shift all or most of the project completion risk to the private development partner. The Port Commission does not typically subordinate its leases to the financing obtained by the private developers and the Port Commission does not deliver the leasehold to the developer until the developer is able to immediately start construction, with all entitlements, permits, equity and debt financing, construction contracts, insurance, and guarantees in place. Until the leasehold is delivered to the developer, the Port continues to receive rents from the interim tenants in occupancy. If a project does not proceed to construction, the Port's interim leasing revenues are maintained but the anticipated repairs and improvements and the other anticipated financial benefits are not achieved. In recognition of, and in exchange for, the project risks being assumed by the developer, the Port Commission typically grants the developer a long-term lease (50-66 years).

During the pre-development and development period, the Port is also subject to the risk of litigation from developers whose projects do not proceed, notwithstanding contract provisions that prohibit developers from making

claims against the Port. Once a lease is executed, the Port is subject to economic risk affecting the tenant, lawsuits against the developer or the project and risks relating to the tenant's failure to perform, mismanagement and similar business risks, as any other owner lessor of commercial property. See "CERTAIN RISK FACTORS."

To further minimize its exposure to project completion risk, in recent years, the Port has limited its contribution toward public-private partnership projects to the existing land and facilities, plus the time related expense of Port staff, attorneys and other consultants needed to coordinate and assist the developer. For some developments, the Port may grant rent credits towards specific construction components and minimize the direct contribution of Port funds. During the pre-development and development phases of a project, the amount of the interim lease revenue to the Port is typically reduced because of the uncertainty the pending project creates for interim tenants, with the Port being able to offer only very short-term leases. During the construction period for the project, the rent that the developer pays the Port is typically substantially less than the Port previously received.

The following real estate development projects on Port property are currently at various stages of negotiation and development with a private investor/partner and no assurances can be given that any of the described projects will result in a completed project or in increased revenue. Further, certain projects include aspects that may decrease revenue. Should they proceed to construction, the following projects are expected to decrease rental revenue to the Port on a short-term and/or long-term basis. Such decreases are discussed and reflected in the projections described under "PORT COMMISSION FINANCIAL OPERATIONS – Projected Debt Service Coverage."

Pier 70 Waterfront Site. Brookfield Asset Management Inc., through its recent acquisition of Forest City Realty Trust, Inc., is the Port's development partner for the Waterfront Site at Pier 70. Project construction started in 2018, with full build-out completion estimated in ten to 15 years. In this \$300 million, ten-year plan period, development will include nine acres of waterfront parks, playgrounds and recreation opportunities; new housing units (including 30 percent below market-rate units); restoration and reuse of currently deteriorating historic structures; new and renovated space for arts, cultural, small-scale manufacturing, local retail, and neighborhood services; up to two million square feet of new commercial and office space; and parking facilities and other transportation infrastructure.

The Port Commission has designated the Pier 70 SUD as a Special Facility. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Additional Bonds and Other Obligations - *Special Facilities and Special Facility Bonds.*"

Seawall Lot 337 and Pier 48 ("Mission Rock"). The vision for this project, led by Seawall Lot 337 Associates, LLC (an affiliate of the San Francisco Giants), is a flexible development balancing residential, office, retail, exhibition, and parking space in a combination of uses that meet market demands and reflect community and regulatory concerns, and ensure mixed-use diversity. The Port anticipates that this project will generate new revenues through leases and the formation of an Infrastructure Financing District. In this ten-year plan period, the developer will complete \$200 million in infrastructure enhancements including streets, sidewalks and utilities.

The Port Commission has designated the Mission Rock Project Site as a Special Facility. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Additional Bonds and Other Obligations - *Special Facilities and Special Facility Bonds.*"

Alcatraz Embarkation. In June 2018, the Port Commission approved the new Alcatraz Ferry Embarkation Project located at Piers 31-33 on The Embarcadero at Bay Street. The project is anticipated to result in [\$41.5 million] of investment in these piers. The Alcatraz Project will activate the Pier 31 bulkhead with a plaza, café, and improved public restrooms, and transform the Pier 33 bulkhead into a visitor-contact station. The improvements will enhance the visitor experience on the wharf and the waterfront. Improvements to the site will be made through a lease with a new tenant, the Golden Gate National Parks Conservancy, and through a lease with a ferry concessioner, to be selected by the National Park Service through a competitive-bid process. The Alcatraz Embarkation Project improvements are projected to be complete by 2024. To prepare the site for the new tenants, the Port is currently undertaking a \$7.5 million repair to the facility's substructure.

Seawall Lot 322-1 Development for Affordable Housing. In 2014, the Port Commission approved a memorandum of understanding between the Port and the Mayor's Office of Housing and Community Development ("MOHCD") regarding a joint effort to pursue the feasibility of improving Seawall Lot 322-1 with an affordable housing development. MOHCD selected Bridge Housing and the John Stewart Company as its private partners to develop the site with 125 family housing rental units, a childcare center, and restaurant space at a projected cost of \$90.7 million. The project began construction in July 2019.

Seawall Lots 323 and 324. In 2015, the Port Commission approved an exclusive negotiation agreement with Teatro ZinZanni and its financial partner, operating together as TZK Broadway, LLC, for the lease and development of Seawall Lots 323 and 324. The proposed development will include a single, four-story building with a 180-200 room hotel, restaurant/bar, an approximate 280-seat theater featuring Teatro's historic "Spiegeltent", and an approximate 14,000-square-foot privately financed public park. The projected total development cost is estimated at \$135 million, to be funded with private funds. The project is anticipated to be constructed and operational by 2021.

Downtown Ferry Terminal Expansion. The Bay Area Water Emergency Transportation Authority is implementing the Downtown San Francisco Ferry Terminal Expansion project to expand and improve facilities at the ferry terminal. The expansion will accommodate anticipated increases in ferry ridership as new services from downtown San Francisco to Richmond, Treasure Island, and other locations, are introduced through 2030. The project includes construction of two new ferry gates and four new berths, landside pedestrian circulation improvements, installation of amenities such as weather-protected areas for queuing and covering of the current "lagoon" area south of the Ferry Building. This covered area will enhance emergency response capabilities and serve as a new public plaza in the heart of the Ferry Building area. Construction on the \$95 million project began in 2017 and will be complete by 2020.

Mission Bay Ferry Landing. The Mission Bay Ferry Landing will provide critical transbay and regional ferry service to and from the fast growing southern waterfront neighborhoods of San Francisco, the financial district and the East and North Bay. The landing will include capability to berth two ferries simultaneously to provide regional access to UCSF Mission Bay, the Chase Center (Golden State Warriors), and the surrounding neighborhoods. These amenities are essential to alleviate current regional transportation overcrowding and to provide transportation resiliency in the event of an earthquake, BART or Bay Bridge failure, or another unplanned event. The estimated project cost is \$45.7 million and includes design and permitting, funded in the prior Capital Budget at \$7.0 million. The City has committed \$9.6 million toward the \$38.7 million construction phase and anticipates funding the remaining construction cost from external sources.

Seawall Earthquake Safety Program. The Embarcadero Seawall was constructed more than a century ago and provides the foundation of over three miles of the City's northeastern waterfront stretching from Fisherman's Wharf in the north to Mission Creek in the south. The Seawall was built prior to the development of modern engineering and an understanding of seismic forces and liquefaction. Over the century, the Seawall has aged and settled and no longer offers the City the same level of flood protection. In response to these factors, the Port is leading a citywide effort to address immediate life safety upgrades to the Seawall. Phase I of the Seawall Program is a major City and Port effort to significantly improve earthquake safety and performance of the Embarcadero Seawall, provide near-term flood protection improvements, and plan for additional long-term resilience and adaptation. The \$500 million Phase I will develop and complete the most immediate life safety and flood risk improvements to the Seawall at key locations by approximately 2026. The Port estimates that full infrastructure improvements will cost up to \$5 billion in 2017 dollars and take up to three decades to complete.

The Seawall supports the historic Embarcadero Promenade, many of the city's iconic destinations, parks, and local businesses which attract more than 24 million people to the waterfront each year. The Seawall also underpins key lifeline utility networks, emergency response facilities and infrastructure including the Bay Area Rapid Transit, Muni Metro and ferry transportation networks. All told, the Seawall supports over \$100 billion in annual economic activity and assets along the waterfront. The Seawall's importance to the broader economic health and emergency preparedness of San Francisco and the Bay Area has inspired the Port to seek external revenue sources to fund the program.

In 2017 the City convened a Seawall Finance Working Group to analyze local, state and federal sources and prepare a set of funding recommendations for the Port and City. Over the past two years, the Port has successfully implemented significant components of this funding plan, including receiving voter approval of a \$425 million General Obligation Bond for the Seawall, a \$5 million appropriation from the state in Fiscal Year 2018-19 and \$1.5 million in New Start funding from USACE.

Impact of Dissolution of Redevelopment Agencies

Under Assembly Bill No. X1 26 (“AB26”) and the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, No. S194861, all redevelopment agencies in the State of California, including the Redevelopment Agency of the City and County of San Francisco (“Agency”), were dissolved by operation of law as of February 1, 2012. The Board of Supervisors adopted Resolution No. 11-12 in January 2012 to provide for the transition to the City of the Agency’s non-affordable housing assets and functions pursuant to AB26. In June 2012, Assembly Bill No. 1484 (“AB1484”) was adopted by the California Legislature. AB1484, signed by the Governor on June 27, 2012, significantly amended AB26 and impacted the transition plans initiated by the City.

A portion of the Rincon Point-South Beach Redevelopment Project Area is within the Port Area and the Agency holds leasehold interests to certain Port properties in the South Beach area pursuant to sixteen ground leases. Under these leases the Agency developed and operated the Port’s Pier 40 facility, and the adjacent 700 slip marina harbor, together known as South Beach Harbor. In addition, the Agency developed seawall lots and other Port property in the Central Waterfront with a park, housing, restaurant and retail projects.

Prior to AB1484, it was planned for the Port to resume management and control on July 1, 2012. On July 1, 2012 the Port began managing and operating the South Beach Harbor (“SBH”) marina and related facilities on behalf of the Office of Community Investment and Infrastructure (“OCII”), the Successor Agency to the Redevelopment Agency, and the Port and OCII began discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets and certain obligations from OCII to the Port.

In 2015 a Memorandum of Agreement (“MOA”) was approved by the Port, OCII, the Oversight Board to OCII and the California State Department of Finance. However, the transfer was executory pending the completion of all closing conditions, most notably approval from Cal Boating to remove OCII as a borrower on three loans that Cal Boating made to the Agency to construct South Beach Harbor (The Agency and the City were co-borrowers for these Cal Boating loans). Property tax increments revenues were pledged to a 1986 Agency revenue bond issue that pre-dated the Port’s Revenue Bonds. The South Beach Harbor revenue bonds were paid off on December 1, 2016. Net revenues from South Beach Harbor are also pledged as security for the Cal Boating loans.

In March 2019 the Port received approval from Cal Boating to remove OCII as borrower on the Cal Boating loans, and on April 30, 2019 the Port and the Successor Agency completed the ground lease terminations and the asset transfer. As part of the transfer, the Port also assumed the repayment of the Cal Boating loans. At the time of the transfer the total outstanding balance of these loans was \$6.1 million.

In conjunction with the assets’ transfer, the Port Commission approved designating the South Beach Harbor project area as a Special Facility and the Cal Boating loans as Special Facility Bonds as provided for in the Indenture, effective April 30, 2019. As a result, net revenues generated by South Beach Harbor are “Special Facility Revenues” and are not included in the “Revenues” pledged to debt service on the Series 2014 Bonds and Series 2020 Bonds; and, likewise, Cal Boating does not have access to the Port’s general revenues as a source of security for their South Beach Harbor loans. “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Additional Bonds and Other Obligations - *Special Facilities and Special Facility Bonds.*”

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2020 Bonds. This section is provided for convenience and is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2020 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2020 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2020 Bonds or adversely affect the ability of the Port Commission to make timely payments of principal of or interest on the Series 2020 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the Port Commission. The enforceability of the rights and remedies of the owners of the Series 2020 Bonds and the Trustee under the Indenture in the event of a default by the Port Commission may be subject to the following: limitations on legal remedies available against cities in California; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See APPENDIX F – "PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL."

Condition of Port Facilities

Most capital assets comprising the Port range from 50 to 100 years old and require significant repair for continued use. The age and condition of Port facilities, combined with their construction on filled tidelands in a high-risk seismic area, mean that most Port facilities will need future capital improvements in order to continue to be functional, code compliant and in usable condition in service of the mission of the Port. The Port has demolished or removed from service a number of facilities over the past 45 years, including some facilities that had been generating revenue for the Port, and, in the absence of funding for needed capital improvements, the Port will remove additional revenue-generating facilities from service in the future. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY." The Port envisions the need for further public and/or private development of its facilities and property, much of which requires legislative and regulatory approvals, to address its capital shortfall. If the Port fails to complete these development projects, Port facilities will continue to deteriorate, which may lead to reductions in Net Revenue.

State of California Air Emissions Regulations and Associated Risks to Cruise Industry

The Port currently hosts over 80 cruise ship calls and 300,000 passengers annually at the James R. Herman (Pier 27) and Pier 35 cruise terminals. The Pier 27 cruise terminal is the primary terminal used and is equipped with high voltage shore power to provide zero-air emission power to cruise ships berthed at the terminal. The Pier 35 cruise terminal is used when multiple cruise ships call at the Port on the same day and is considered an "overflow," or secondary terminal. The Pier 35 cruise terminal is not equipped with shore power and cruise ships must use their auxiliary engines for power while berthed at Pier 35.

The California Air Resources Board is charged with protecting the public from the harmful effects of air pollution. CARB focuses solely on California's unique air quality challenges and sets stricter air emissions standards for the state than nationwide air quality emissions standards. Existing CARB regulations require a certain percentage of cruise vessels to connect to shore power when at-berth to reduce air emissions. CARB is currently developing a new regulation that would require all cruise vessels to connect to shore power when at-berth. The new regulation is scheduled to be adopted by CARB in December 2019 with an implementation date of January 2021.

Shore power installation at the Pier 35 cruise terminal is not feasible due to inadequate existing electrical infrastructure and the obsolete layout of the facility; therefore, cruise ships would no longer be able to call at Pier 35 if the new CARB regulation is adopted as currently drafted. Annually, ten to fifteen cruise ships call at Pier 35 on average. However, this volume is likely to increase in 2020. Considerable revenue loss to the Port and economic loss to the City from tourism and consumerism would occur if ships cannot call at a secondary terminal location.

To meet this challenge, the Port is currently evaluating other Port sites as possible secondary cruise terminal locations and is exploring alternatives for supplying power to vessels at-berth, both of which could require substantial capital investment from the Port. At the same time, CARB is providing regulated parties an opportunity to provide comments on the proposed new regulation. The Port has provided comments and expressed concern directly to CARB regarding the economic impact of the proposed regulation. The Port is also participating in a stakeholder coalition that submitted an alternative proposal to CARB which includes measures to ensure compliance and emissions reductions consistent with CARB's emission goals while also providing flexibility to regulated parties.

Certain Economic and Other Constraints on Port Revenue

The ability of the Port to maintain or increase revenue growth in the future may be affected by a variety of economic, legislative and regulatory factors that are outside of its direct control.

The Port operates pursuant to many legislative and regulatory constraints that significantly restrict its ability to maximize the revenue generating activities of its waterfront properties. Public objectives set by many of these legislative and regulatory requirements, including the Port's Waterfront Land Use Plan and BCDC's Waterfront Special Area Plan, limit the Port's ability to maximize the commercial revenue generating opportunities available for many of the Port's properties. In addition, the Port is subject to many of the same economic and competitive factors affecting other commercial and real estate business enterprises in the region.

The transfer of the Port to the jurisdiction of the City in 1969 was made in trust for the people of California. The public trust doctrine directs the use and development of Port properties. The public trust doctrine, as codified in the Burton Act and the related Transfer Agreement, mandated the following missions for the Port: (1) to promote navigation, fisheries and maritime commerce; (2) to protect natural resources; and (3) to develop recreational facilities that attract people to enjoy the Bay and the waterfront. See "Burton Act and Transfer Agreement" below. The public trust doctrine has been interpreted over time by the courts, the Attorney General, the SLC and the BCDC.

The Port's properties are also subject to the Waterfront Land Use Plan, adopted in June 1997, which was developed by the Port Commission through a public consensus process to provide a framework for all future development of Port property. Analyses conducted concurrently with the development of the Waterfront Land Use Plan concluded that, while the Waterfront Land Use Plan had significantly expanded the scope of revenue generating activities that could be developed on Port property, changes in the regulatory environment were required and other funding and financing mechanisms were needed for the Port to carry out its missions. Required regulatory changes have been achieved with the City and with BCDC, and additional regulatory changes are being pursued by the Port and will likely be required in the future. The Port can give no assurances that such changes will be granted.

Under the Charter, the San Francisco Municipal Elections Code and the California Elections Code, City voters may seek to nullify certain ordinances approved by the Board of Supervisors through the process of referendum (generally, the referendum power does not extend to the annual budget or appropriations ordinances, annual salary ordinances, ordinances authorizing the City Attorney to settle litigation, ordinances that relate to purely administrative affairs, ordinances necessary for the Mayor's exercise of emergency powers, and ordinances providing for the issuance of general obligation bonds). A referendum is a petition protesting certain ordinances passed by the Board of Supervisors and asking that the Board of Supervisors reconsider the matter. If the Board does not repeal the ordinance, it is submitted to the voters at the next general municipal election or a special election. The operation of the ordinance is suspended until approved by the voters. As a recent example, City voters overturned a June 2012 decision of the Board of Supervisors allowing the construction of a luxury high-rise residential development along the Embarcadero in the November 2013 elections, through the referendum process.

City voters may also avail of the initiative process, whereby a proposal for a new ordinance or charter amendment is placed on the ballot by a petition with the required number of signatures.

The processes of initiative and referendum are available to California voters at the State level and may be used by voters to effect changes to the State Constitution, statutes or charters. The Port's ability to maintain or increase revenue growth and develop the Port Area may be limited by the processes of initiative and referendum at the City and State levels. The Port Commission is unable to predict any future actions by the voters of the City or the State and their impact on the Port Commission's operations.

The Port's properties suffer from a significant amount of deferred maintenance and/or desirable capital improvements. In order to promote its mission to foster and promote navigation, fisheries and maritime commerce, the Port is obligated to preserve significant waterfront historic resources that have great significance to the region and the nation but that are very costly for the Port to maintain and upgrade. The cost of needed repairs to the Port's properties has been estimated in the current Ten-Year Capital Plan to be approximately \$1.59 billion over the next ten years. The Port currently reviews these costs on an annual basis and anticipates that this estimate will continue to be refined as information is known and costs escalate. These estimates do not include the cost to repair the Port's seawall or to address sea level rise. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

The public trust doctrine gives priority to maritime, visitor serving retail and other uses which do not necessarily generate maximum revenue from the Port's waterfront land. Certain maritime revenue sources, such as the Port's cargo shipping lines, have declined. In response, the Port has focused its efforts on expanding bulk cargo, harbor services, cruise and ship repair maritime lines and its commercial (non-maritime) real estate operations. Other priority public trust uses, such as protection of natural resources and open spaces do not provide any direct revenue and involve on going Operation and Maintenance Expense. The public trust doctrine prohibits housing on Port property and limits general office use to portions of historic Port facilities that are rehabilitated according to standards published by the U.S. Secretary of the Interior. The public trust doctrine permits interim leasing of Port property for uses that are not consistent with the public trust (*e.g.*, general office) for short periods of time, in most cases not to exceed 10 years, in order to generate funds for the Port's Harbor Fund. Additionally, as a result of Proposition H passed by the San Francisco electorate in 1990, hotels are prohibited on the Port's waterside properties.

Burton Act and Transfer Agreement

The Port Area was transferred to the City by the State pursuant to special legislation, California Statutes 1968, Chapter 1333 (the "Burton Act"). The transfer was conditioned on the passage of certain Charter amendments, which were approved by the voters of the City at an election held on November 5, 1968. The transfer was effected pursuant to an agreement entered into between the State and the City, in accordance with the Burton Act, dated as of January 24, 1969 (the "Transfer Agreement"). The provisions of the Transfer Agreement generally follow those of the Burton Act itself. The amendments to the Charter were approved by the State Legislature as required by the Transfer Agreement.

The Burton Act provided for the transfer to the City, in trust for purposes of commerce, navigation and fisheries, of all of the real property located in the City and then under the jurisdiction of the San Francisco Port Authority of the State, and of all related personal property. The Burton Act and the Transfer Agreement provide that the Port Commission shall have complete authority to use, conduct, operate, maintain, manage, regulate, improve and control the harbor of the City (*i.e.*, the Port Area), and to do all things necessary in connection therewith.

The Legislature reserved the right to amend, modify or revoke, in whole or in part, the transfer of lands in trust under the Burton Act, provided that the State assumes all lawful obligations related to such lands as may revert to the State. The State has never exercised this right, other than as part of the State's budget for Fiscal Year 1992-93 when certain Port revenues were required to be diverted to the State. The transfer may also be revoked, by an action brought by the State Attorney General, for gross and willful violation of the terms of the transfer or the provisions of the Burton Act or other legislative enactment. No such action has ever been brought or threatened by the State Attorney General, nor is the Port Commission aware of any possible grounds for such an action.

Under the Burton Act, revocation, in whole or in part, of any transfer of lands in trust to the Port Commission may not impair or affect the rights or obligations of third parties, including bondholders and lessees, arising from existing leases, contracts or other agreements.

General Economic Risk and Real Estate Risk

Most revenues of the Port Commission are derived from long term leases. Absent tenant turnover, the Port Commission has limited ability to increase rents under such long term leases to offset any reduction of other revenues or increase in expenses of the Port Commission. Thus, the ability of the Port Commission to respond to unanticipated shortfalls in Net Revenue is limited.

The Port's Revenue is derived primarily from property leases to commercial and industrial enterprises. The Port's tenants are subject to competitive conditions and other business and economic factors that may affect their ability to pay rent to the Port, including local and regional economic conditions and levels of tourism. See "PORT REAL ESTATE OPERATIONS." Any tenant of the Port may elect not to renew its lease upon expiration of the lease term. The ability of such businesses to continue in operation, and to pay rent to the Port, may be compromised in the event of an economic downturn, failure of such businesses or their tenants to perform, mismanagement, lawsuits, increased operating expenses, and similar business risks, or in the event of a natural or other disaster and similar occurrences, and may be adversely affected by their ability to collect under their insurance policies in the event of any occurrence of a casualty. In the event of a business downturn, a Port tenant may fail to make lease payments when due, may decline to renew an expiring lease, may become insolvent or may declare bankruptcy or may fail to maintain the premises. Any such non-performance or default by a tenant under the lease will have an adverse impact on the Port's Revenue. Nonperformance by a significant tenant could have a serious long-term impact on the Port's financial condition. Even if, under the terms of the lease, the Port is able to terminate the lease and evict the tenant, the Port may have difficulty in securing another tenant. The terms of any new lease may not be as favorable as the prior lease.

The Port Commission's ability to make principal and interest payments on the Series 2020 Bonds is dependent upon the generation of Revenue, which is derived from the collection of rents, rates, tariffs and charges. A number of factors could adversely affect the Port Commission's ability to generate Revenue and pay its operating costs through its lease, rates and tariffs structure including, but not limited to, increased capital improvement needs and the costs thereof, increased Operation and Maintenance Expenses, competition in the real estate market and maritime industry for the property and services offered by the Port, limits imposed by standards for historic preservation, changes in the cost and terms of debt financing, increased federal, state and city/county restrictions or requirements, and general economic conditions. These factors are not within the Port's control, to a large degree. The ability of the Port to generate or maintain Revenue through its real estate development activities is affected by the same factors. Any adverse change in any of the foregoing factors could make the ongoing development of the Port's properties more difficult or impossible, even if only for a period of time.

The Port competes with certain other port facilities in the immediate area and the region and is subject to competitive factors and market conditions in a number of sectors. See "Certain Economic and Other Constraints on Port Revenue" above.

Risk of Earthquake and Tsunami

Risk of Earthquake. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. Neither the City nor the Port suffered any material damage as a result of the earthquake. The effects of future seismic events may vary from the effects of past seismic events.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the "U.S.G.S."), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive.

As indicated by the report, a significant earthquake in the City is probable during the time the Series 2020 Bonds will be outstanding. As stated in the Seismic Hazards Mapping Act of 1990, the effects of strong ground shaking, liquefaction, landslides or other ground failure account for approximately 95% of economic losses caused by an earthquake. The Seismic Hazards Mapping Act of 1990 requires sellers and agents of real property located within a Seismic Hazard Zone to disclose the zone designation to buyers at the time of sale. The Port Area is located within a liquefaction zone according to a report prepared by the California Geologic Survey. Liquefaction is a significant loss of soil strength resulting from increased pore water pressure during earthquakes. Loss of soil strength can cause damage to Port facilities and infrastructure (including the seawall) due to ground settlement or lateral spreading. The Seismic Hazards Mapping Act also requires cities or counties to regulate certain development projects within the zones by withholding approval until the soil conditions of the project sites are investigated and appropriate mitigation measures are incorporated into the development plans. As a part of the building permit review for waterfront projects that trigger a seismic code upgrade, the Port requires geotechnical investigations be conducted that profile the soils, determine the potential for liquefaction, and identify measures to mitigate seismic impact.

The Port does not carry earthquake insurance and the Port does not anticipate obtaining earthquake insurance for the Port Area. In addition, in the event facilities located within the Port Area are damaged or destroyed in an earthquake, the business operations and finances of the Port could be materially adversely affected.

Risk of Tsunami. The California Geological Survey ("CGS"), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, has produced statewide tsunami inundation maps. CGS has identified the Port Area as being located in the San Francisco Tsunami Inundation Zone. Port facilities could be impacted by a tsunami that breaches San Francisco Bay. The Port does not carry tsunami insurance and the Port does not anticipate obtaining tsunami insurance for the Port Area. In the event facilities located within the Port Area are damaged or destroyed by a tsunami, the business operations and finances of the Port could be materially adversely affected.

FEMA Flood Zone

The Federal Emergency Management Agency ("FEMA") is in the process of finalizing Flood Insurance Rate Maps ("FIRMs") for the City. FEMA prepares the FIRMs to support the National Flood Insurance Program ("NFIP"), a federal program that enables property owners, businesses, and residents in participating communities to purchase flood insurance backed by the federal government.

FIRMs identify areas that are subject to inundation during a flood that has a 1% chance of occurrence in a given year (also known as a "base flood" or "100-year flood"). FEMA refers to an area that is at risk of exposure to a flood of this magnitude as a special flood hazard area ("SFHA").

FEMA initiated preparation of a FIRM for the City/Port in the mid-2000s and issued a preliminary version of the FIRM on September 21, 2007, which placed most of the Port's piers and wharfs in "AE Zones," which are SFHA areas subject to inundation by tidal surge and waves less than three feet in height and "VE Zones" which are SFHA areas subject to the additional hazards that accompany waves more than three feet in height. The National Flood Insurance Program ("NFIP") requirements for construction in VE Zone areas are particularly restrictive. Specifically, a community cannot allow new construction or substantial improvement seaward of mean high tide in a VE Zone.

In December 2007, the City and the Port filed an appeal with FEMA arguing that the Port's pier decks are above the wave heights and should be excluded from the SFHA. Additionally, the appeal argued that piers are constructed to resist vertical and lateral loads (e.g., wind load) that far exceed wave loads and would not likely be damaged by wave action, rendering the risk of flood damage on the pier decks minimal.

In 2008 the City adopted a Floodplain Management Ordinance (the "Floodplain Ordinance") and then amended the ordinance in 2010, at FEMA's request, to increase standards for construction in floodplains. Following adoption of these changes, FEMA approved the City's participation in the NFIP. To minimize or eliminate flood hazard risks, the Floodplain Ordinance imposes requirements on new construction or substantial improvement of structures in city-designated flood zones. The Floodplain Ordinance designates the City Administrator as the City's Floodplain Administrator and recognizes the role of the Port's Chief Harbor Engineer in administering the Port's Building Code, which includes standards for construction in floodplains.

Following the City's 2007 appeal of the FIRM, FEMA completed an additional study of the San Francisco Bay and issued another preliminary FIRM for the City and the Port's waterfront areas on November 12, 2015. This preliminary FIRM once again identified most of piers and wharfs within the Port jurisdiction in SFHA. On July 28, 2016, the City filed another appeal, submitting a detailed engineering analysis, and asking FEMA to consider removing the VE Zone designation from the Port's piers and wharfs.

On May 31, 2019, in response to the City's 2015 appeal, FEMA issued a revised FIRM. This version addressed all concerns raised by the Port and used Zone D designation for the Port's piers, wharfs and other structures over water. Zone D is an area of possible, but undefined, flood hazard. Use of Zone D designations for the Port's piers and wharfs provides flexibility in development of the Port's historic piers and gives responsibility to the Port's Chief Harbor Engineer to ensure all appropriate measures are taken to mitigate flood risks in these Zone D areas.

The Port anticipates that FEMA will issue a Letter of Final Determination formalizing the revised FIRM in 2020. The City must then adopt the final FIRM and any necessary conforming amendments to the City's Floodplain Management Ordinance within six months.

Sea Level Rise and Risks Associated with Global Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several State agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to State and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. Later, in May 2018, the State of California Ocean Protection Council issued an update to its Sea Level Rise Guidance document containing improved science and policy with a better understanding of risks quantified as probabilities. The projections for the near term and mid-century did not increase, but the high-end range of projections for 2100 did increase from 36 to 66 inches to 41 to 83 inches.

The Port currently experiences localized flooding due to higher water levels and settlement in certain areas. The shoreline from Pier 22 to Pier 9 includes some of the lowest elevations in San Francisco and these areas flood during king tides and storm events. The current 100-year flood event would result in the bay overtopping the Embarcadero Seawall and could result in flooding and significant damage to Port and City assets in these low-lying areas including the Muni portal, BART, the Embarcadero Promenade and Roadway, and low-lying assets and services from Pier 9 to Pier 22 and in the southern waterfront. Most of the San Francisco Bay shoreline, including

the Port, consists of filled land that was elevated just high enough to avoid 100-year flood events and coastal storms at the time that the fill was placed. As a result, much of the shoreline is low relative to the San Francisco Bay in areas of settlement and, as sea levels rise, the San Francisco Bay shoreline will experience more flooding over larger areas of land at longer durations.

Sea level rise of only 16 inches will impact Port facilities. A rise of over 50 inches would cause frequent flooding of the majority of the Port's facilities including The Embarcadero Roadway. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. In May 2018, the Ocean Protection Council updated its sea level rise guidance to recommend that local jurisdictions plan for a range of 17 to 42 inches in 2070 and 28 to 83 inches in 2100. The guidance also included an extreme scenario of 62 inches in 2070 and 122 inches in 2100. To meet this challenge, the Port has initiated or participated in a number of projects and programs, including the Embarcadero Seawall Program, the United States Army Corps of Engineers ("USACE") Flood Resiliency Study, the Citywide Sea Level Rise Vulnerability Assessment effort and the Citywide Hazard and Climate Resilience Plan. Additionally, the Port is working on several efforts to identify approaches to reducing flood risk to its piers, including an initiative called Floodproofing the Piers. The Historic Piers Rehabilitation Program is another effort to increase the resilience of the Port and its piers to flood risk and provides an opportunity to increase public and private partnerships to address this challenge.

Adapting to sea level rise is also a key component of the City's policies. The City and its enterprise departments, including the Port, have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and is in the process of completing the Sea Level Rise Vulnerability and Consequences Assessment for City assets and services, which will be released in the [Fall of 2019].

As described above, coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, housing, community facilities, local businesses, jobs, cultural and historic resources and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City, including the Port, could be required to mitigate these effects at a potentially material cost. Temporary flood events could reduce access to Port and City assets and services, increase maintenance and operations costs, reduce reliability, result in costs from disruption and damage of assets and facilities. Increased duration, severity and/or instances of such flooding would increase the likelihood of these outcomes resulting in the likely, even if mitigated, reduction of demand for Port assets and services by leaseholders, businesses, maritime operations, PDR, tourists and others and therefore could have a material adverse effect on the Port's finances.

In November 2018, the voters of San Francisco passed Proposition A, a bond measure providing \$425 million dollars to reduce the seismic and flood risk associated with the Embarcadero Seawall, three miles from Fisherman's Wharf to Mission Creek. Additionally, in September 2018, 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 working on advancing assessments, policies, plans and projects to reduce these risks as efficiently and effectively as possible. However, 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.

[Seawall litigation to be described as it develops on appeal]

Acts of Terrorism and Force Majeure Events

The federal Department of Homeland Security has identified the major ports on the California coast, including the Port, and other ports in the United States, as facilities subject to a high level of risk of terrorist attacks. In addition, certain facilities on the Port are subject to regulation under the Maritime Transportation Security Act of 2002 ("MTSA") and regulations adopted thereunder, which require the Port to implement security measures designed to protect the ports and waterways of the U.S. from a terrorist attack. Regulated facilities at the Port include cargo, cruise and ferry facilities. In response to such concerns and in compliance with MTSA and other

applicable regulations, the Port has undertaken additional security measures – both at facilities regulated under MTSA, and to protect Port facilities and public access areas not regulated under MTSA. However, the Port Commission cannot predict the likelihood of a terrorist attack on any of its facilities or the extent of damage or disruption that might result or the degree to which such compliance measures will be successful in preventing an attack. In addition, the Port Commission is not able to assess the ultimate cost of the security measures which are currently required by the MTSA and applicable regulations or which may be required in the future. Required security measures are reevaluated and modified frequently by the federal Department of Homeland Security. Such measures, and the cost of their implementation, could increase in the future. The Port's facilities are not insured by the Port Commission against terrorist attack. See "No Insurance For Certain Losses" below.

The Port's facilities and its ability to generate Revenue from its properties are also at risk from other events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. While the Port Commission has attempted to address the risk of a loss from many of these sorts of occurrences through the purchase of commercial property and casualty insurance, certain of these events may not be covered by standard property and casualty insurance coverages. Notwithstanding that the Port Commission may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to the Port's facilities, the collection of lease rentals or other tariffs, fees and charges for the use of Port properties and other amounts comprising the Revenue could be impaired for an undetermined period.

No Insurance for Certain Losses

The Port Commission does not currently maintain insurance insuring against loss resulting from earthquake, tsunami, flood, losses to its fleet of vehicles from terrorist activity and certain other types of loss. The Port Commission would be required to pay for the costs resulting from any catastrophic loss from its budgetary reserves. It is expected that grant moneys from FEMA would be available to the Port Commission to pay a portion of such costs. However, such FEMA grant funds, if available at all, might not be available in amounts sufficient to pay a significant portion of such costs, and there can be no assurance that the Port Commission's budgetary reserves will be adequate to address any casualty or loss which its facilities might experience. See "PORT COMMISSION FINANCIAL OPERATIONS – Risk Management and Insurance."

Operation and Maintenance Expenses

The payment of principal of and interest on the Series 2020 Bonds will be made from the Net Revenue of the Port, which is comprised of the Revenue of the Port available after payment of the Operation and Maintenance Expenses of the Port. There can be no assurance that the Operation and Maintenance Expenses of the Port will continue at the levels that currently prevail. Such expenses could increase substantially and could cause the Port Commission to be unable to meet the debt service coverage requirement of the Indenture. The Port Commission has a limited ability to increase its rates, tariffs and charges and in all cases, such increases are subject to prevailing market conditions, which could cause such increases to raise the number of defaults under the Port's agreements with its tenants or to reduce the market demand for the Port's properties. See "PORT COMMISSION FINANCIAL OPERATIONS – Operation and Maintenance Expenses."

Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation

The Port is subject to a wide variety of local, State, and federal transportation and environmental laws. Such laws include mandates with respect to the Port's properties and operations conducted thereon, including regulations governing uses of Port property, air emissions, stormwater compliance and discharges to San Francisco Bay, and handling of hazardous materials. The regulations governing the use of Port property and activities conducted on it are likely to evolve and become more restrictive over time.

The Port is currently subject to environmental compliance orders issued by regulatory agencies with purview over Port property or voluntary oversight by such agencies associated with known or suspected contamination of Port property or groundwater. These agencies include the San Francisco Bay Regional Water Quality Control Board and the San Francisco Department of Public Health. These orders and voluntary oversight

typically arise from the activities of former Port tenants who are the primary responsible parties for such contamination. It is likely that future environmental investigations of Port property will result in identifying contamination that will result in additional orders and/or voluntary oversight. In some of these cases, the Port may have difficulty identifying parties responsible for the subject contamination. The costs to the Port to implement the compliance measures required by such orders and mandates are included as Operation and Maintenance Expenses of the Port, and are substantial. Such regulations are subject to amendment from time to time, and any such amendments could require the Port to undertake additional, costly compliance measures. The costs of such compliance measures and amendments could materially increase the Port's operating costs and thereby adversely affect Net Revenue.

The Port Area includes properties on which hazardous substances have been located. It is likely, due to the nature of past operations on Port properties, that additional Port properties will be found to have hazardous substances located on them. See "PORT COMMISSION FINANCIAL OPERATIONS – Environmental Compliance." The Port as the owner of contaminated property may be liable in the event of a determination of the presence or discharge of hazardous substances on its property, irrespective of its knowledge of the presence or discharge of such substances, or its lack of responsibility for the existence of such substances on its property. Costs of remediation of these substances, if required, could be extremely high and could exceed the value or revenue generation potential of such properties. The costs of remediation could materially increase the Port's Operation and Maintenance Expenses and could thereby adversely affect the Net Revenue available to pay the Series 2020 Bonds. Insurance coverage for the costs of environmental liability of the Port may be limited and many such costs are not covered by commercial insurance policies.

Construction Risk

Construction on Port property involves difficulties peculiar to construction over water and on landfill such as tide-limited work hours and unanticipated soil conditions or buried objects. Construction of Port facilities is also subject to ordinary construction risks and delays applicable to projects of their kind, such as (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; or (vi) the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards.

Cybersecurity

The Port relies on several business software applications and extensive e-communication and file & data sharing tools to conduct their operations, and faces multiple general cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, the "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the Port may be the target of cybersecurity incidents that could result in adverse consequences to their Systems Technology, requiring a response action to mitigate consequences. In concert with other City and County of San Francisco ("CCSF") departments, the Port subscribes to and complies with centralized policy-based practices and training to minimize risk of cybersecurity attacks. The Port's Systems Technology is not directly accessible from the internet, so the ability to misappropriate Port assets or cause operational disruptions is minimal. As with many public sector agencies, the Port recognizes the primary cybersecurity risk of phishing schemes and other similar attacks generated via email communication.

The Port is committed to protecting its Systems Technology from cybersecurity threats. While residing within the CCSF data network, the Port's network segments employ firewalls with strict policies and intrusion detection protocols. The Port leverages a CCSF-dedicated cybersecurity prevention and response team with sophisticated tools, 24/7/365 monitoring and notification procedures, and practiced prevention, detection, incident response, and mitigation efforts. The Port promotes and engages in training and awareness initiatives beyond the CCSF-mandated cybersecurity training program, with a devoted focus on phishing and other e-communication attacks.

Constitutional and Statutory Restrictions on Fees and Charges; Change in Law

The Port is subject to State, federal and City laws that restrict its operations. Such laws may be amended at any time. Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law that could limit the ability of the Port to impose and increase revenue sources and to spend such revenues, and that, under certain circumstances, could permit existing revenue sources of the Port to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the Port's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Articles XIII C and XIII D of the California Constitution. Proposition 218, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. The applicability of Proposition 218 to enterprise departments of cities, such as the Port, is unclear, but the Port believes that Proposition 218 is inapplicable to the fees and charges imposed by it. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased assessments, fees and charges. No assurance can be given that the Port will be able to raise assessments, fees and charges in the future to meet increased expenditure requirements, if it is later determined that the Port's fees and charges are subject to Proposition 218.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to the collection of revenues to repay bonds. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges by the Port.

Article XIII D contains several provisions intended to restrict the ability of local agencies to levy and maintain "assessments" and "fees" (as defined in Article XIII D) for "property related services." Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." A "property related service" is defined as "a public service having a direct relationship to property ownership." The Port is of the opinion that charges for its services are not property related fees or charges and therefore are not subject to the limits of Article XIII D. The Port cannot predict the future impact of Proposition 218 on the finances of the Port, and no assurance can be given that, due to subsequent interpretations of Proposition 218 by the courts, Proposition 218 will not have a material adverse impact on the Port's revenues.

Proposition 26. In November 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26, among other things, amended Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax" and the purpose of Proposition 26 is to broadly define what constitutes a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, and (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law. If any of the Port's fees and charges were determined to be "taxes" under Article XIII C, the Port may no longer be able to impose or adjust those fees and charges without voter approval.

Future Changes in Laws. No assurance can be given that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State of California, resulting in a reduction of Net Revenue and, consequently, having an adverse effect on the security for the Series 2020 Bonds. No assurance can be given that the City electorate will not at some future time adopt an initiative or Charter amendment having an impact on the Port's operations and, consequently, having an adverse effect on the security for the Series 2020 Bonds.

Bankruptcy or Financial Failure of Tenant

The financial failure or bankruptcy of a Port tenant could adversely affect the ability of such tenant to honor its obligation under its lease, may affect the Port Commission's ability to enforce the terms of the lease against such tenant and could allow such tenant to reject its lease. Further, the Port Commission's right to receive payment of rent accrued prior to bankruptcy may be limited to the rights of an unsecured creditor of the bankrupt entity.

The Port is not aware at this time of the existing or impending financial failure or bankruptcy of any Port tenant that would have a materially adverse negative impact on the Port's financial condition; however, there can be no assurance that a financial failure or bankruptcy of a Port tenant will not occur in the future.

Uncertainties of Projections and Assumptions; Forward Looking Statements

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections including, but not limited to, those described under "PORT COMMISSION FINANCIAL OPERATIONS – Projected Debt Service Coverage." Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the Port Commission assumes no responsibility for the accuracy of such projections.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." All forward-looking statements are predictions and are subject to known and unknown risks and uncertainties. No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this official statement. Given their uncertainty, investors are cautioned not to place undue reliance on such statements.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under "TAX MATTERS," interest on the Series 2020A Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the Series 2020A Bonds as a result of future acts or omissions of the Port Commission in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Series 2020A Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2020 Bonds or, if a secondary market exists, that the Series 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the Port Commission (the “Financial Statements”) for the Fiscal Year ended June 30, 2019 are attached as APPENDIX B The Financial Statements have been audited by Macias Gini & O’Connell LLP, independent certified public accountants. The Port Commission prepares financial statements that are audited annually.

The Port has not requested nor did the Port obtain permission from Macias Gini & O’Connell LLP to include its report on the audited financial statements in APPENDIX B. Macias Gini & O’Connell LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Macias Gini & O’Connell LLP also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The Port Commission has covenanted for the benefit of the Owners of the Series 2020 Bonds to provide certain financial information and operating data relating to the Port Commission not later than [270 days] after the end of the Port Commission’s Fiscal Year (which currently ends on June 30), commencing with the report for Fiscal Year 2018-19 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Port Commission with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website.

The specific nature of the information to be contained in the Annual Report or the notices of certain events is summarized in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12. The Port Commission is not in default with respect to any previous undertaking made with regard to said Rule. [description of any lapses to come]

TAX MATTERS

Series 2020A Bonds – Federal Tax Law

In the opinion of Jones Hall, A Professional Law Corporation, and Amira Jackmon, Attorney at Law, Co-Bond Counsel, subject, however, to certain qualifications set forth below, under existing law, the interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, except during any period while a Series 2020A Bond is held by a “substantial user” of the facilities financed by the Series 2020 Bonds or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions of Co-Bond Counsel set forth in the preceding paragraph are subject to the condition that the Port Commission complies with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2020A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Port Commission has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020A Bonds.

Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020A Bonds who purchase the 2020A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2020A Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of 2020A Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020A Bond is amortized each year over the term to maturity of the 2020A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2020A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020A Bonds.

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Co-Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the 2020A Bonds, as of any future date. Prospective purchasers of the 2020A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

Owners of the 2020A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020A Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Co-Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the 2020A Bonds.

Series 2020B Bonds – Federal Tax Law

The interest on the Series 2020B Bonds is not intended by the Port Commission to be excluded from gross income for federal income tax purposes.

State Law

In the further opinion of Co-Bond Counsel, interest on the Series 2020 Bonds is exempt from California personal income taxes.

Limitation

Co-Bond Counsel expresses no opinion regarding any federal tax consequences arising with respect to the Series 2020A Bonds and the Series 2020B Bonds other than as expressly described above. Owners of the Series 2020A Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds may have federal or state tax consequences other than as described above for certain taxpayers, including without limitation, foreign corporations subject to the branch profits tax, financial institutions, property and casualty insurance companies, S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations. Prospective investors, particularly those who may be subject to special rules, should consult their own tax advisors regarding the tax consequences of owning the Series 2020A Bonds.

Form of Opinion

The form of opinion of Co-Bond Counsel is set forth as Appendix F hereto.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "___," "___" and "___," respectively, to the Series 2020 Bonds. The ratings issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2020 Bonds. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. There is no assurance that such ratings will be retained for any given period or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Series 2020 Bonds.

UNDERWRITING

The Series 2020 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as representative of itself and 280 Securities LLC (together, the "Underwriters"). The Underwriters have agreed to purchase the Series 2020A Bonds at a purchase price of \$_____ (comprised of the principal amount of the Series 2020A Bonds, plus a net original issue premium of \$_____, less an Underwriters' discount in the amount of \$_____). The Underwriters have agreed to purchase the Series 2020B Bonds at a purchase price of \$_____ (comprised of the principal amount of the Series 2020B Bonds, plus a net original issue premium of \$_____, less an Underwriters' discount in the amount of \$_____).

The purchase contract pursuant to which the Series 2020 Bonds are being sold provides that the Underwriters will purchase all of the Series 2020 Bonds if any Series 2020 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2020 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Port Commission, threatened against the Port Commission affecting the existence of the Port Commission or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Series 2020 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Series 2020 Bonds, the Indenture or any action of the Port Commission contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Port Commission with respect to the Series 2020 Bonds or any action of the Port Commission contemplated by any of said documents, nor, to the knowledge of the Port Commission, is there any basis therefor.

There are a number of litigation matters pending against the Port Commission for incidents at the Port, involving claims and suits which arise out of the ordinary course of business and operations of the Port. The Port Commission is also a named party in various other environmental and regulatory matters that are presently in the course of regulatory investigation and compliance review. Certain of such matters are discussed herein under the caption "PORT COMMISSION FINANCIAL OPERATIONS – Environmental Compliance." In the opinion of the Port General Counsel, an adverse judgment on any of these pending matters, either individually or in the aggregate, will not have a material adverse effect on the Net Revenue or on the financial condition of the Port. Most of such claims involve claims relating to personal injury and property damage and most such claims are covered by a comprehensive insurance program maintained by the Port Commission. See "PORT COMMISSION FINANCIAL OPERATIONS – Risk Management and Insurance."

CERTAIN LEGAL MATTERS

The validity of the Series 2020 Bonds and certain other legal matters are subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel. Complete copies of the proposed forms of Co-Bond Counsel opinions are contained in Appendix F hereto, and will be made available to the Underwriters of the Series 2020 Bonds at the time of the original delivery of the Series 2020 Bonds. None of Co-Bond Counsel, Disclosure Counsel or Underwriters' Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Port Commission by the City Attorney and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by _____.

Norton Rose Fulbright US LLP has served as disclosure counsel to the Port Commission and in such capacity as Disclosure Counsel has rendered certain legal advice and assistance to the Port Commission in connection with the preparation of the Preliminary Official Statement and the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephonic conferences with, among others, representatives of the Port Commission, Counsel to the Port Commission, Bond Counsel, the Underwriter, Counsel to the Underwriter, and the Municipal Advisor, at which meetings and during which telephonic conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Disclosure Counsel has not undertaken to determine or verify independently, or assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

No purchaser or holder of the Series 2020 Bonds, or other person or party other than the Port Commission, will be entitled to or may rely on such letter or Norton Rose Fulbright US LLP's having acted in the role of disclosure counsel to the Port Commission.

MUNICIPAL ADVISORS

Public Financial Management, Inc., San Francisco, California, and Backstrom McCarley Berry & Co., LLC, San Francisco, California are acting as Municipal Advisors to the Port Commission with respect to the Series 2020 Bonds. The Municipal Advisors have assisted the Port Commission in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2020 Bonds. The Municipal Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Port Commission to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Municipal Advisors assume no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisors will not purchase or make a market in any of the Series 2020 Bonds.

Compensation to be received by the Municipal Advisors from the Port Commission for services provided in connection with the planning, structuring, execution and delivery of the Series 2020 Bonds is contingent upon the sale and delivery of the Series 2020 Bonds.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port Commission and the purchasers or owners of any of the Series 2020 Bonds. The preparation and distribution of this Official Statement has been authorized by the Port Commission. For copies, written request may be made to the Manager of Communications, Port of San Francisco, Pier 1, The Embarcadero, San Francisco, CA 94111.

APPROVAL AND EXECUTION

The execution and delivery of this Official Statement has been authorized by the Port Commission.

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

By: _____
Executive Director

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO

The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the Series 2020 Bonds, and the Port Commission has not undertaken in its Continuing Disclosure Certificate to update this information. The Series 2020 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. The General Fund of the City is not liable for the payment of the principal of or interest on the Series 2020 Bonds. The Series 2020 Bonds are not a debt or obligation of the City, the State of California or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2020 Bonds.

APPENDIX B

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

APPENDIX C

BOOK-ENTRY SYSTEM

The following description of The Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2020 Bonds, payment of principal, interest and other payments on the Series 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the Port Commission nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current Rules applicable to DTC are on file with the Series 2020 Bonds and Exchange Commission and the current Procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Series 2020 Bonds"). The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2020 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on such website is not incorporated by reference herein.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2020A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. If less than all of the Series 2014B Bonds are being redeemed, DTC will determine pro rata the amount of the interest of each Direct Participant in such issue to be redeemed as notified by the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Port Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Port Commission or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or Port Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Port Commission or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to Port Commission or Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Port Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

APPENDIX D
SUMMARY OF THE LEGAL DOCUMENTS

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance of \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 2020A (Non-AMT Tax-Exempt) (the "Series 2020A Bonds") and Series 2020B (Federally Taxable) (the "Series 2020B Bonds and, together with the Series 2020A Bonds, the "Series 2020 Bonds"). The Series 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust dated as of February 1, 2010, a Second Supplement to Indenture of Trust dated as of May 1, 2014 and a Third Supplement to the Indenture of Trust dated as of January 1, 2020, between the Port Commission and the Trustee (collectively, the "Indenture").

The Port Commission covenants and agrees in this Disclosure Certificate as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Holders and Beneficial Owners of the Series 2020 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Series 2020 Bonds or to dispose of ownership of any Series 2020 Bonds; or (b) is treated as the owner of any Series 2020 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the [Port Commission], acting in its capacity as Dissemination Agent under the Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Port Commission and which has filed with the Port Commission a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Series 2020 Bonds, or, if the Series 2020 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Official Statement" shall mean the final Official Statement, dated _____, 2019, prepared in connection with the sale and offering of the Series 2020 Bonds.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Series 2020 Bonds required to comply with the Rule in connection with offering of the Series 2020 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Port Commission’s Fiscal Year (which currently ends June 30), commencing March 31, 2020, with the report for the 2018-19 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. If the Dissemination Agent is not the Port Commission, the Port Commission shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided, that if the audited financial statements of the Port Commission are not available by the date required above for the filing of the Annual Report, the Port Commission shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the Port Commission’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Port Commission is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Port Commission shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Port Commission) file a report with the Port Commission certifying the date that the Annual Report was provided to the MSRB pursuant to the Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Port Commission’s Annual Report shall contain or incorporate by reference the following information:

(a) Audited Financial Statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles applicable to the Port Commission from time to time. If the Port Commission’s audited financial statements are not available by the date the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Updated information in Table 1 of the Official Statement captioned “PORT OF SAN FRANCISCO, REAL ESTATE LEASES, REMAINING LEASE TERMS”;

(c) Updated information in Table 2 of the Official Statement captioned “PORT OF SAN FRANCISCO, TOP TEN REAL ESTATE TENANTS BY REVENUE”;

(d) Updated information in Table 8 of the Official Statement captioned “PORT OF SAN FRANCISCO, MAJOR PORT OPERATING REVENUES”;

(e) Updated information in Table 10 of the Official Statement captioned “PORT OF SAN FRANCISCO, HISTORICAL OPERATIONS & MAINTENANCE EXPENSES”;

(f) Updated information in Table 11 of the Official Statement captioned “PORT OF SAN FRANCISCO, HISTORICAL RESULTS OF OPERATIONS”; and

(g) Updated information in Table 12 of the Official Statement captioned "PORT OF SAN FRANCISCO, HISTORIC DEBT SERVICE COVERAGE."

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee;
- (15) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The term "financial obligation" as used in Event 15 means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with S.E.C. Rule 15c2-12.

(c) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if

any) of the underlying event is given to Holders and Beneficial Owners of affected Series 2020 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2020 Bonds. If such termination occurs prior to the final maturity of the Series 2020 Bonds, the Port Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Port Commission may amend or waive the Disclosure Certificate or any provision of the Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2020 Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Series 2020 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (iii) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (i) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Port Commission from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Port Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Port Commission shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the Port Commission to comply with any provision of the Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port Commission to comply with its obligations under the Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San

Francisco, State of California. Failure by the Port Commission to comply with any provision of the Disclosure Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under the Disclosure Certificate in the event of any failure of the Port Commission to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries: The Disclosure Certificate shall inure solely to the benefit of the Port Commission, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2020 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2019.

PORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

By: _____
Executive Director

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Name of Issue: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING REVENUE BONDS, SERIES 2020A AND SERIES 2020B

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the Port Commission has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Port Commission of the City and County of San Francisco, dated the Date of Issuance. The Port Commission anticipates that the Annual Report will be filed by _____.

Dated: _____

PORT COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]

Title _____

APPENDIX F

PROPOSED FORMS OF LEGAL OPINIONS OF CO-BOND COUNSEL

_____, 2020

Port Commission of the City and County of San Francisco
San Francisco, California

OPINION: \$_____ Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt)

Members of the Commission:

We have acted as co-bond counsel to the Port Commission of the City and County of San Francisco (the "Commission") in connection with the issuance by the Commission of the \$_____ initial principal amount Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax-Exempt) (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) Section 9.107 of the Charter of the City and County of San Francisco and Chapter 43, Article XII of the San Francisco Administrative Code (together, the "Bond Law"), (ii) an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), by and between the Commission and U.S. Bank National Association as successor trustee (the "Trustee"), as amended and supplemented, including as supplemented by a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (the "Third Supplemental Indenture"; together with the Master Indenture, as previously supplemented, the "Indenture"), (iii) Resolution No. 19-___ duly adopted by the Commission on October __, 2019 (the "Commission Resolution") and (iv) Resolution No. _____, duly adopted by the Board of Supervisors of the City and County of San Francisco on December 17, 2019, and signed by Mayor London Breed on _____, 2020 (the "Board of Supervisors Resolution"). Under the Indenture, the City has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the Commission contained in the Commission Resolution and in the Indenture, of the Board of Supervisors in the Board of Supervisors Resolution, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Commission is a duly constituted public commission of the City and County of San Francisco duly organized and validly existing pursuant to the Charter of the City and County of San Francisco and the Constitution and laws of the State.
2. The Board of Supervisors has the power under Section 9.107 of the Charter of the City and County of San Francisco to adopt Ordinance No. 258-09, which was adopted by the Board of Supervisors on February 8, 2009, and signed by the Mayor on February 18, 2009, pursuant to which the Board of Supervisors amended the San Francisco Administrative Code to add Chapter 43, Article XII to authorize the issuance of revenue bonds by the Port Commission.
3. The Commission has the power under the Bond Law to adopt the Commission Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

4. The Indenture has been duly authorized, executed and delivered by the Commission, and constitutes a valid and binding obligation of the Commission, enforceable against the Commission.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

6. The Bonds have been duly authorized and executed by the Commission, and are valid and binding limited obligations of the Commission, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. Interest on the Bonds is excluded from gross income for federal income tax purposes, except for any period during which the Bonds are held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986 (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Commission comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds. We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

_____, 2020

Port Commission of the City and County of San Francisco
San Francisco, California

OPINION: \$_____ Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable)

Members of the Commission:

We have acted as co-bond counsel to the Port Commission of the City and County of San Francisco (the "Commission") in connection with the issuance by the Commission of the \$_____ initial principal amount Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable) (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) Section 9.107 of the Charter of the City and County of San Francisco and Chapter 43, Article XII of the San Francisco Administrative Code (together, the "Bond Law"), (ii) an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), by and between the Commission and U.S. Bank National Association as successor trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (the "Third Supplemental Indenture"; together with the Master Indenture, as previously supplemented, the "Indenture"), (iii) Resolution No. _____ duly adopted by the Commission on October 7, 2019 (the "Commission Resolution") and (iv) Resolution No. _____, duly adopted by the Board of Supervisors of the City and County of San Francisco on December 17, 2019 and signed by Mayor London Breed on _____, 2019 (the "Board of Supervisors Resolution"). Under the Indenture, the City has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the Commission contained in the Commission Resolution and in the Indenture, of the Board of Supervisors in the Board of Supervisors Resolution, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Commission is a duly constituted public commission of the City and County of San Francisco duly organized and validly existing pursuant to the Charter of the City and County of San Francisco and the Constitution and laws of the State.

2. The Board of Supervisors has the power under Section 9.107 of the Charter of the City and County of San Francisco to adopt Ordinance No. 258-09, which was adopted by the Board of Supervisors on December 8, 2009, and signed by the Mayor on December 18, 2009, pursuant to which the Board of Supervisors amended the San Francisco Administrative Code to add Chapter 43, Article XII to authorize the issuance of revenue bonds by the Port Commission.

3. The Commission has the power under the Bond Law to adopt the Commission Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

4. The Indenture has been duly authorized, executed and delivered by the Commission, and constitutes a valid and binding obligation of the Commission, enforceable against the Commission.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

6. The Bonds have been duly authorized and executed by the Commission, and are valid and binding limited obligations of the Commission, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. Interest on the Bonds is not intended to be excluded from gross income for federal income tax purposes.

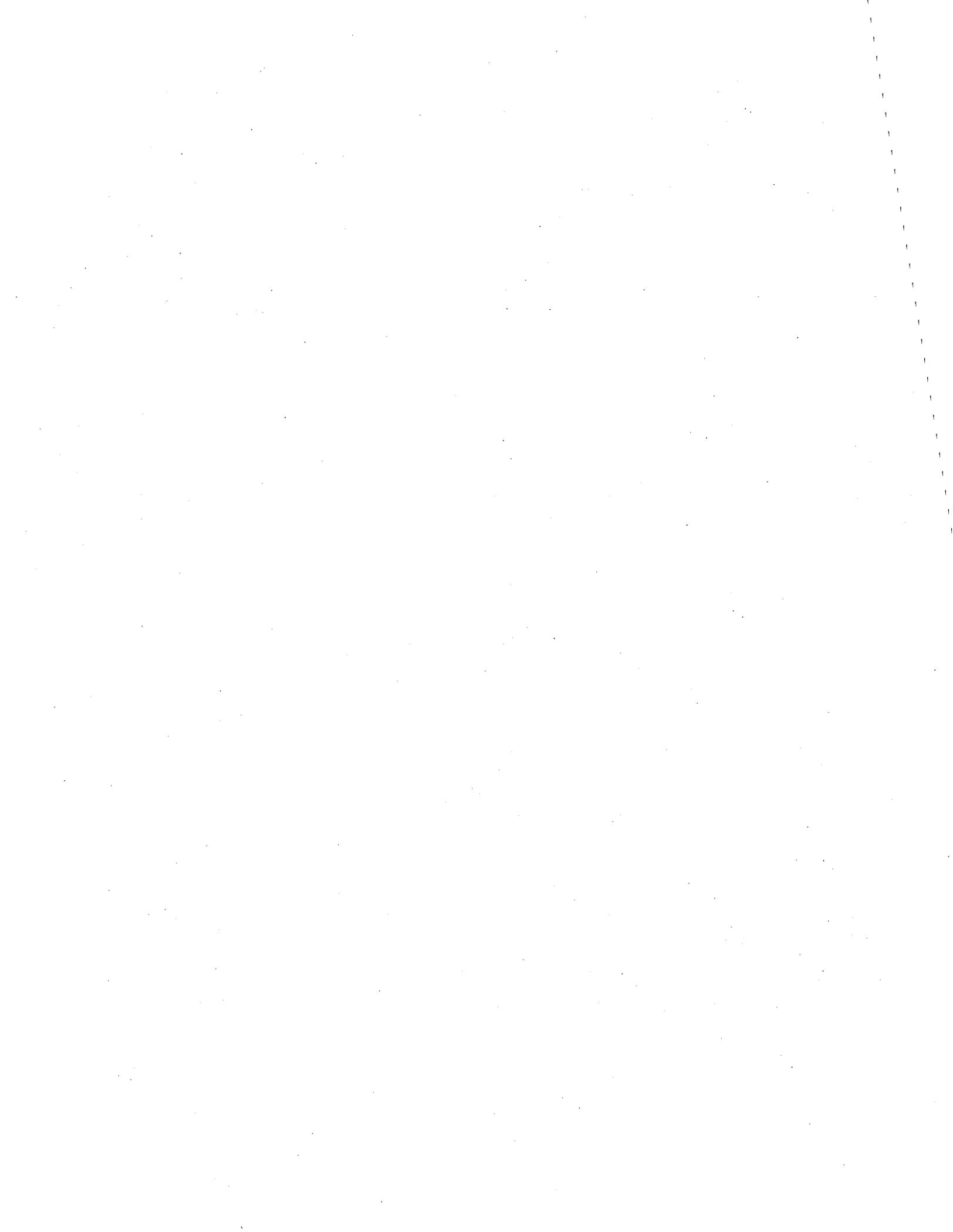
8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation



FORM OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance of \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Refunding Bonds, Series 2020A (Non-AMT Tax-Exempt) (the "Series 2020A Bonds") and Series 2020B (Federally Taxable) (the "Series 2020B Bonds and, together with the Series 2020A Bonds, the "Series 2020 Bonds"). The Series 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust dated as of February 1, 2010, a Second Supplement to Indenture of Trust dated as of May 1, 2014 and a Third Supplement to the Indenture of Trust dated as of January 1, 2020, between the Port Commission and the Trustee (collectively, the "Indenture").

The Port Commission covenants and agrees in this Disclosure Certificate as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Holders and Beneficial Owners of the Series 2020 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Series 2020 Bonds or to dispose of ownership of any Series 2020 Bonds; or (b) is treated as the owner of any Series 2020 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the [Port Commission], acting in its capacity as Dissemination Agent under the Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Port Commission and which has filed with the Port Commission a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Series 2020 Bonds, or, if the Series 2020 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Official Statement" shall mean the final Official Statement, dated _____, 2019, prepared in connection with the sale and offering of the Series 2020 Bonds.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Series 2020 Bonds required to comply with the Rule in connection with offering of the Series 2020 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Port Commission’s Fiscal Year (which currently ends June 30), commencing March 31, 2020, with the report for the 2018-19 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. If the Dissemination Agent is not the Port Commission, the Port Commission shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided, that if the audited financial statements of the Port Commission are not available by the date required above for the filing of the Annual Report, the Port Commission shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the Port Commission’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Port Commission is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Port Commission shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Port Commission) file a report with the Port Commission certifying the date that the Annual Report was provided to the MSRB pursuant to the Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Port Commission’s Annual Report shall contain or incorporate by reference the following information:

(a) Audited Financial Statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles applicable to the Port Commission from time to time. If the Port Commission’s audited financial statements are not available by the date the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Updated information in Table 1 of the Official Statement captioned “PORT OF SAN FRANCISCO, REAL ESTATE LEASES, REMAINING LEASE TERMS”;

(c) Updated information in Table 2 of the Official Statement captioned “PORT OF SAN FRANCISCO, TOP TEN REAL ESTATE TENANTS BY REVENUE”;

(d) Updated information in Table 8 of the Official Statement captioned “PORT OF SAN FRANCISCO, MAJOR PORT OPERATING REVENUES”;

(e) Updated information in Table 10 of the Official Statement captioned “PORT OF SAN FRANCISCO, HISTORICAL OPERATIONS & MAINTENANCE EXPENSES”;

(f) Updated information in Table 11 of the Official Statement captioned “PORT OF SAN FRANCISCO, HISTORICAL RESULTS OF OPERATIONS”; and

(g) Updated information in Table 12 of the Official Statement captioned “PORT OF SAN FRANCISCO, HISTORIC DEBT SERVICE COVERAGE.”

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee;
- (15) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The term "financial obligation" as used in Event 15 means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with S.E.C. Rule 15c2-12.

(c) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders and Beneficial Owners of affected Series 2020 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2020 Bonds. If such termination occurs prior to the final maturity of the Series 2020 Bonds, the Port Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Port Commission may amend or waive the Disclosure Certificate or any provision of the Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2020 Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Series 2020 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (iii) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (i) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Port Commission from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Port Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Port Commission shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the Port Commission to comply with any provision of the Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port Commission to comply with its obligations under the Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. Failure by the Port Commission to comply with any provision of the Disclosure Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under the Disclosure Certificate in the event of any failure of the Port Commission to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Port Commission, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2020 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2019.

PORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

By: _____
Executive Director

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

**ESCROW DEPOSIT AND TRUST AGREEMENT
(Series 2010A Bonds)**

Relating to

\$14,220,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)**

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated February __, 2020, is between the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, duly constituted and established under Sections 4.100 et seq. of the Charter of the City and County of San Francisco (the "Commission"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent under this Agreement ("Escrow Agent") and trustee ("Trustee") under the Indenture (defined below) for the Series 2010A Bonds described below.

BACKGROUND:

1. The Commission previously issued its Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt), in the aggregate principal amount of \$14,220,000 (the "Series 2010A Bonds").
2. The Series 2010A Bonds mature on March 1, 2040, and are subject to redemption on March 1, 2020 at a redemption price equal to the outstanding principal amount of the Series 2010A Bonds, plus interest accrued to the redemption date.
3. In order to provide funds to refund the Series 2010A Bonds, and thereby realize interest rate savings, the Commission and the Board of Supervisors of the City and County of San Francisco have authorized the issuance of the Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020A (Non-AMT Tax Exempt) in the aggregate principal amount of \$_____ (the "2020A Refunding Bonds").
4. The Series 2010A Bonds were issued, and the 2020A Refunding Bonds are being issued, under an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), as amended and supplemented by a First Supplement to Indenture of Trust, dated as of February 1, 2010, a Second Supplement to Indenture of Trust, dated as of May 1, 2014 and a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (as amended, the "Indenture").

5. The Commission wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the principal, interest and redemption premium on the outstanding Series 2010A Bonds.

6. As a result of the deposit and investment of funds in accordance with this Agreement, the Series 2010A Bonds will be discharged and defeased in accordance with the provisions of Section 10.02 of the Indenture.

7. Under Section 10.02 of the Master Indenture, discharge of the Series 2010A Bonds may be provided for by the deposit with the Escrow Agent of moneys, noncallable Governmental Obligations, noncallable Government Certificates or prerefunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01 of the Master Indenture, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or prerefunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the Principal Amount, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on the Series 2010A Bonds. The moneys, Government Obligations, Government Certificates and prerefunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of the Series 2010A Bonds solely for the purpose of paying the Principal Amount or purchase price or redemption price of, including premium, if any, and interest on the 2010 Bonds as the same shall mature or become payable upon prior redemption. The Indenture requires the Escrow Agent to receive (a) a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of the Series 2010A Bonds in the case of a defeasance thereof and (b) an Opinion of Bond Counsel to the effect that the defeasance of the Series 2010A Bonds in accordance with this Agreement will not adversely affect the tax-exempt nature of interest on the Series 2010A Bonds. Capitalized terms used in this paragraph but not defined in this Agreement have the meaning given them in the Indenture.

AGREEMENT:

In consideration of the premises and the material covenants contained herein, The Commission and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The Commission hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to redeem and defease the Series 2010A Bonds in accordance with the Indenture. The Escrow Agent is directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Series 2010A Bonds as hereinafter set forth. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium on the Series 2010A Bonds in accordance with the Indenture.

If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the Series 2010A Bonds, the Escrow Agent shall notify the

Commission of such fact and the Commission shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit and Investment of Amounts in Escrow Fund; Investment of Amounts.* On the date hereof (the "Closing Date"), the Commission shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the 2020A Refunding Bonds.

In addition, the Commission hereby directs the Trustee to transfer to the Escrow Agent for deposit in the Escrow Fund the following additional amounts: **[update with available moneys in funds/accounts]**.

On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A. The Escrow Agent shall hold the remaining \$_____ in cash, uninvested.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of state and local government series securities ("SLGS") that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the Commission with respect to funds which were to be invested in SLGS. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the Commission. In the absence of investment instructions from the Commission, the Escrow Agent shall hold such funds uninvested. The Escrow Agent may conclusively rely upon the Commission's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 3. *Application of Amounts in Escrow Fund.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Trustee an amount required to pay the principal of and interest and redemption premium on the Series 2010A Bonds, in accordance with the schedule attached as Exhibit B hereto.

Following the payment and redemption of the Series 2010A Bonds in full, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the Trustee for deposit in the Series 2020 Interest Account of the Debt Service Fund established under the Indenture, to be applied to pay interest next coming due and payable on the 2020A Refunding Bonds.

SECTION 4. *Irrevocable Election to Redeem Series 2010A Bonds; Defeasance Notices.* The Commission has irrevocably elected to pay and redeem all of the outstanding Series 2010A Bonds on the date set forth in Exhibit B, in accordance with the provisions of the Indenture.

The Escrow Agent shall provide notice of redemption in the form attached as Exhibit C to the owners of the Series 2010A Bonds, in accordance with the Indenture, not less than 30 or more than 60 days prior to the redemption date.

The Commission further hereby directs the Escrow Agent to file on the Closing Date the notice attached as Exhibit D on the Municipal Securities Rulemaking Board's EMMA system.

SECTION 5. *Compensation to Escrow Agent.* The Commission shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 6. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and redemption premium with respect to the Series 2010A Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Commission and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care.

The Escrow Agent may at any time resign by giving 30 days' written notice of resignation to the Commission. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor and, upon the acceptance by the

successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Commission shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the Commission shall provide to the Escrow Agent an incumbency certificate listing officers with the Commission to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Commission whenever a person is to be added or deleted from the listing. If the Commission elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Commission understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Commission shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Commission and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or

authentication keys upon receipt by the Commission. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Commission agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Commission; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 7. *Termination of Agreement.* Upon payment in full of the principal of and interest and redemption premium on the Series 2010A Bonds and all fees, expense and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 8. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

By: _____
Executive Director

ATTEST:

By: _____
Commission Secretary

**U.S. BANK NATIONAL
ASSOCIATION**, as Escrow Agent and
Trustee

By: _____
Authorized Officer

EXHIBIT A
ESCROW SECURITIES

<u>Type of Security</u>	<u>CUSIP</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Interest Class</u>
-------------------------	--------------	----------------------	----------------------	-------------------	-------------	--------------	-----------------------

EXHIBIT B

ESCROW REQUIREMENTS

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Redeemed Principal</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
3/1/20				

EXHIBIT C

FORM OF NOTICE OF REDEMPTION

\$14,220,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)**

NOTICE IS HEREBY GIVEN, by the Port Commission of the City and County of San Francisco (the "Commission") with respect to the captioned bonds (the "Series 2010A Bonds"), that all of the outstanding Series 2010A Bonds, which were issued under an Indenture of Trust (as amended and supplemented, the "Indenture") between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), are being called for redemption on March 1, 2020 at a redemption price equal to the par amount thereof together with accrued interest thereon to the redemption date, without premium. Interest on the Series 2010A Bonds will not accrue after the redemption date.

The outstanding Series 2010A Bonds consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
----------------------	-------------------------	----------------------	---------------

* The Commission, the Trustee and the escrow agent referred to below shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Series 2010A Bonds; the CUSIP numbers are included solely for the convenience of the owners of the Series 2010A Bonds.

Funds for the payment of the redemption price of the Series 2010A Bonds have been deposited with U.S. Bank National Association, as escrow agent, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the Series 2010A Bonds has been verified by _____, certified public accountants.

The Series 2010A Bonds must be surrendered by the owners at the principal corporate trust office of the Trustee.

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

EXHIBIT D

FORM OF NOTICE OF DEFEASANCE

NOTICE OF FULL DEFEASANCE

\$14,220,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)**

NOTICE IS HEREBY GIVEN, by the Port Commission of the City and County of San Francisco (the "Commission") that the captioned bonds (the "Series 2010A Bonds") have been defeased and discharged under and within the meaning of the Indenture of Trust under which the Series 2010A Bonds were issued (as amended and supplemented, the "Indenture") between the Commission and U.S. Bank National Association, as trustee (the "Trustee"). Funds for the payment of the Series 2010A Bonds have been deposited with U.S. Bank National Association, as escrow agent, under an Escrow Deposit and Trust Agreement (Series 2010A Bonds) (the "Escrow Agreement"). The sufficiency of the funds and investments for the purpose of paying the principal of and interest on the Series 2010A Bonds has been verified by _____, certified public accountants. As a consequence of the foregoing actions and in accordance with the Indenture, the Series 2010A Bonds are no longer secured by a pledge of revenues under the Indenture, and the Series 2010A Bonds are now payable solely from the moneys set aside in escrow under the Escrow Agreement and, if necessary, from other legally available funds of the Commission.

The Refunded Series 2010A Bonds consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
----------------------	-------------------------	----------------------	--------------

* The Commission, the Trustee and the escrow agent referred to above shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Series 2010A Bonds; the CUSIP numbers are included solely for the convenience of the owners of the Series 2010A Bonds.

The Commission intends to redeem all of the outstanding Series 2010A Bonds on March 1, 2020.

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

**ESCROW DEPOSIT AND TRUST AGREEMENT
(Series 2010B Bonds)**

Relating to

\$22,430,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010B (Taxable)**

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated February __, 2020, is between the PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, duly constituted and established under Sections 4.100 et seq. of the Charter of the City and County of San Francisco (the "Commission"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent under this Agreement ("Escrow Agent") and trustee ("Trustee") under the Indenture (defined below) for the Series 2010B Bonds described below.

BACKGROUND:

1. The Commission previously issued its Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010B (Non-AMT Tax-Exempt), in the aggregate principal amount of \$22,430,000 (the "Series 2010B Bonds").

2. The Series 2010B Bonds are subject to redemption on March 1, 2020 at a redemption price equal to the outstanding principal amount of the Series 2010B Bonds, plus interest accrued to the redemption date.

3. In order to provide funds to refund the Series 2010B Bonds, and thereby realize interest rate savings, the Commission and the Board of Supervisors of the City and County of San Francisco have authorized the issuance of the Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020B (Federally Taxable) in the aggregate principal amount of \$_____ (the "2020B Refunding Bonds").

4. The Series 2010B Bonds were issued, and the 2020B Refunding Bonds are being issued, under an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), as amended and supplemented by a First Supplement to Indenture of Trust, dated as of February 1, 2010, a Second Supplement to Indenture of Trust, dated as of May 1, 2014 and a Third Supplement to Indenture of Trust, dated as of February 1, 2020 (as amended, the "Indenture").

5. The Commission wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the principal, interest and redemption premium on the outstanding Series 2010B Bonds.

6. As a result of the deposit and investment of funds in accordance with this Agreement, the Series 2010B Bonds will be discharged and defeased in accordance with the provisions of Section 10.02 of the Indenture.

7. Under Section 10.02 of the Master Indenture, discharge of the Series 2010B Bonds may be provided for by the deposit with the Escrow Agent of moneys, noncallable Governmental Obligations, noncallable Government Certificates or prerefunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01 of the Master Indenture, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or prerefunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the Principal Amount, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on the Series 2010B Bonds. The moneys, Government Obligations, Government Certificates and prerefunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of the Series 2010B Bonds solely for the purpose of paying the Principal Amount or purchase price or redemption price of, including premium, if any, and interest on the 2010 Bonds as the same shall mature or become payable upon prior redemption. The Indenture requires the Escrow Agent to receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of the Series 2010B Bonds in the case of a defeasance thereof. Capitalized terms used in this paragraph but not defined in this Agreement have the meaning given them in the Indenture.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, The Commission and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The Commission hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to redeem and defease the Series 2010B Bonds in accordance with the Indenture. The Escrow Agent is directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Series 2010B Bonds as hereinafter set forth. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium on the Series 2010B Bonds in accordance with the Indenture.

If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the Series 2010B Bonds, the Escrow Agent shall notify the Commission of such fact and the Commission shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit and Investment of Amounts in Escrow Fund; Investment of Amounts.* On the date hereof (the "Closing Date"), the Commission shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the 2020B Refunding Bonds.

In addition, the Commission hereby directs the Trustee to transfer to the Escrow Agent for deposit in the Escrow Fund the following additional amounts: **[update with available moneys in funds/accounts]**.

On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A. The Escrow Agent shall hold the remaining \$_____ in cash, uninvested.

SECTION 3. *Application of Amounts in Escrow Fund.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Trustee an amount required to pay the principal of and interest and redemption premium on the Series 2010B Bonds, in accordance with the schedule attached as Exhibit B hereto.

Following the payment and redemption of the Series 2010B Bonds in full, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the Trustee for deposit in the Series 2020 Interest Account of the Debt Service Fund established under the Indenture, to be applied to pay interest next coming due and payable on the 2020B Refunding Bonds.

SECTION 4. *Irrevocable Election to Redeem Series 2010B Bonds; Defeasance Notices.* The Commission has irrevocably elected to pay and redeem all of the outstanding Series 2010B Bonds on the dates set forth in Exhibit B, in accordance with the provisions of the Indenture.

The Escrow Agent shall provide notice of redemption in the form attached as Exhibit C to the owners of the Series 2010B Bonds, in accordance with the Indenture, not less than 30 or more than 60 days prior to the redemption date.

The Commission further hereby directs the Escrow Agent to file on the Closing Date the notice attached as Exhibit D on the Municipal Securities Rulemaking Board's EMMA system.

SECTION 5. *Compensation to Escrow Agent.* The Commission shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 6. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the

Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and redemption premium with respect to the Series 2010B Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Commission and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care.

The Escrow Agent may at any time resign by giving 30 days' written notice of resignation to the Commission. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Commission shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" means the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the Commission shall provide to the Escrow Agent an incumbency certificate listing officers with the Commission to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Commission whenever a person is to be added or deleted from the listing. If the Commission elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Commission understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Commission shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Commission and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Commission. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Commission agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Commission; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 7. *Termination of Agreement.* Upon payment in full of the principal of and interest and redemption premium on the Series 2010B Bonds and all fees, expense

and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 8. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

By: _____
Executive Director

ATTEST:

By: _____
Commission Secretary

**U.S. BANK NATIONAL
ASSOCIATION**, as Escrow Agent and
Trustee

By: _____
Authorized Officer

EXHIBIT A

ESCROW SECURITIES

<u>Type of Security</u>	<u>CUSIP</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Interest Class</u>
-------------------------	--------------	----------------------	----------------------	-------------------	-------------	--------------	-----------------------

EXHIBIT B
ESCROW REQUIREMENTS

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
3/1/20					

EXHIBIT C

FORM OF NOTICE OF REDEMPTION

\$22,430,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010B (Taxable)**

NOTICE IS HEREBY GIVEN, by the Port Commission of the City and County of San Francisco (the "Commission") with respect to the captioned bonds (the "Series 2010B Bonds"), that all of the outstanding Series 2010B Bonds maturing after March 1, 2020, which were issued under an Indenture of Trust (as amended and supplemented, the "Indenture") between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), are being called for redemption on March 1, 2020 at a redemption price equal to the par amount thereof together with accrued interest thereon to the redemption date, without premium. Interest on the Series 2010B Bonds will not accrue after the redemption date.

The outstanding Series 2010B Bonds consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
----------------------	-------------------------	----------------------	---------------

* The Commission, the Trustee and the escrow agent referred to below shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Series 2010B Bonds; the CUSIP numbers are included solely for the convenience of the owners of the Series 2010B Bonds.

Funds for the payment of the principal and interest due on the Series 2010B Bonds on March 1, 2020 and the principal amount of the Series 2010B Bonds maturing after March 1, 2020 have been deposited with U.S. Bank National Association, as escrow agent, and the sufficiency of the funds and investments for that purpose has been verified by _____, certified public accountants.

The Series 2010B Bonds must be surrendered by the owners at the principal corporate trust office of the Trustee.

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

EXHIBIT D

FORM OF NOTICE OF DEFEASANCE

NOTICE OF FULL DEFEASANCE

\$22,430,000

**Port Commission of the City and County of San Francisco
Revenue Bonds, Series 2010B (Taxable)**

NOTICE IS HEREBY GIVEN, by the Port Commission of the City and County of San Francisco (the "Commission") that the captioned bonds (the "Series 2010B Bonds") have been defeased and discharged under and within the meaning of the Indenture of Trust under which the Series 2010B Bonds were issued (as amended and supplemented, the "Indenture") between the Commission and U.S. Bank National Association, as trustee (the "Trustee").

The Commission intends to redeem on March 1, 2020 all of the outstanding Series 2010B Bonds maturing after March 1, 2020. Funds for the payment of the principal and interest due on the Series 2010B Bonds on March 1, 2020 and the principal amount of the Series 2010B Bonds maturing after March 1, 2020 have been deposited with U.S. Bank National Association, as escrow agent, under an Escrow Deposit and Trust Agreement (Series 2010B Bonds) (the "Escrow Agreement"). The sufficiency of the funds and investments for that purpose has been verified by _____, certified public accountants. As a consequence of the foregoing actions and in accordance with the Indenture, the Series 2010B Bonds are no longer secured by a pledge of revenues under the Indenture, and the Series 2010B Bonds are now payable solely from the moneys set aside in escrow under the Escrow Agreement and, if necessary, from other legally available funds of the Commission.

The Series 2010B Bonds consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
----------------------	-------------------------	----------------------	--------------

* The Commission, the Trustee and the escrow agent referred to above shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Series 2010B Bonds; the CUSIP numbers are included solely for the convenience of the owners of the Series 2010B Bonds.

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

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

RESOLUTION NO. 19-42

- WHEREAS,** Pursuant to the Charter of the City and County of San Francisco (the "City") and Chapter 43, Article XII of the San Francisco Administrative Code (the "Port Bond Ordinance"), the Port Commission is authorized, subject to the approval of the Board of Supervisors of the City (the "Board"), to issue revenue bonds for any Port-related purpose and secured solely by Port revenues; and
- WHEREAS,** Pursuant to Resolution No. 09-63, adopted by the Port Commission on October 13, 2009, the Port issued \$14,220,000 aggregate principal amount of its City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (the "Series 2010A Bonds") and \$22,430,000 aggregate principal amount of its City and County of San Francisco Revenue Bonds, Series 2010B (Taxable) (the "Series 2010B Bonds" and, collectively with the Series 2010A Bonds, the "Series 2010 Bonds") for the purpose of financing the costs of acquiring, constructing, improving and developing facilities under the jurisdiction of the Port; and
- WHEREAS,** The Series 2010 Bonds were issued pursuant to an Indenture of Trust (the "Master Indenture"), as supplemented by a First Supplement to Indenture of Trust, each dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association, as successor trustee; and
- WHEREAS,** The Series 2010A Bonds are currently outstanding in the principal amount of \$14,220,000 and the Series 2010B Bonds are currently outstanding in the principal amount of \$15,645,000 and are subject to redemption at the option of the Port Commission on any date on or after March 1, 2020; and
- WHEREAS,** The Port Commission adopted its Municipal Debt Policy (the "Debt Policy") on July 14, 2009, and, on November 15, 2016, adopted an update to the Debt Policy; and
- WHEREAS,** The purpose of the Debt Policy is to provide comprehensive guidelines for the issuance and management of the Port Commission's bonds and other debt obligations; and
- WHEREAS,** The Debt Policy provides for the issuance of refunding bonds to refinance previously issued and outstanding debt in order to achieve debt service savings, and for certain other specified reasons; and

WHEREAS, The Debt Policy also specifies that refunding bonds issued solely to achieve debt service savings shall not be issued unless: (i) the estimated net present value of the savings, as determined by the Port's financial advisors, is at least 3% of the principal amount of the refunded bonds; and (ii) it is unlikely, in the judgment of the Port's financial advisors, that a future refunding would realize greater savings; and

WHEREAS, Port staff, in consultation with the Port's financial advisors (the "Co-Municipal Advisors"), have determined that the Port can realize significant debt service savings by refinancing the Port's Series 2010 Bonds on March 1, 2020, when they first become eligible for refunding; and

WHEREAS, The Co-Municipal Advisors have estimated that under current market conditions a refinancing would generate net present value savings significantly above the Debt Policy threshold for the issuance of refunding bonds; and

WHEREAS, The Co-Municipal Advisors are of the opinion (assuming current market conditions) that it is unlikely that the Port could achieve significant additional savings by delaying the refunding beyond the March 1, 2020 date;

WHEREAS, The Port Commission has determined that it is desirable to issue refunding bonds, in one or more series, (together, the "Bonds") to refund the Series 2010 Bonds in order to achieve debt service savings; and

WHEREAS, In connection with the issuance, sale and delivery of the Bonds, the Port Commission will enter into a Third Supplement to Indenture of Trust and certain other related documents and will prepare a Preliminary Official Statement and execute a final Official Statement; and

WHEREAS, The Bonds will be sold by negotiated sale pursuant to one or more bond purchase contracts; now, therefore, be it

RESOLVED, By the San Francisco Port Commission as follows:

- Section 1. Recitals. The Port Commission finds and determines that all of the recitals above are true and correct.
- Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the Port is authorized pursuant to the Charter and the Administrative Code to incur indebtedness in the manner and form provided in this Resolution, subject, however, to approval by the Board of a resolution authorizing the issuance and delivery of the Bonds.
- Section 3. Approval of the Bonds. The Port Commission hereby approves the issuance, sale and delivery of the Bonds in accordance with the Master Indenture, as previously amended and supplemented, and as amended and supplemented by the Third Supplement to Indenture of Trust referred to in Section 4 below (collectively, the "Indenture"), as the same is finally executed and delivered. The proceeds of the Bonds will be used to (i) refund the Series 2010 Bonds; (ii) fund a debt service reserve fund for the Bonds, if required; and (iii) pay costs of issuance of the Bonds. The Bonds shall be designated as "Port Commission of the City and County of San Francisco Port Refunding Revenue Bonds, Series 2020," with such other or additional designation as deemed appropriate by the Executive Director of the Port or her designee. The Bonds shall be issued in an aggregate principal amount not to exceed twenty-seven million dollars (\$27,000,000), with an interest rate not to exceed six percent (6%) per annum and shall have a final maturity date not later than twenty-five (25) years following the dates of issuance thereof. The Bonds may be issued in one or more series or sub-series and in whole or in part as tax-exempt or taxable obligations. The Bonds shall be subject to redemption as set forth in the Indenture. To the extent deemed necessary or desirable by the Executive Director, this Port Commission authorizes the procurement of credit enhancement for the Bonds, including, but not limited to, municipal bond insurance or a debt service reserve fund surety bond, and the documents authorized herein may be modified or amended to permit the procurement of credit enhancement for the Bonds, to the extent deemed necessary or desirable by the Executive Director, upon consultation with the City Attorney.
- Section 4. Approval of the Third Supplement to Indenture. The form of the Third Supplement to Indenture of Trust, between the Port and a national banking association meeting the requirements of the Master Indenture to be named therein, as trustee (the "Trustee"), as presented to this Port

Commission, copies of which are on file with the Secretary of the Port Commission, is hereby approved. The Executive Director of the Port is hereby authorized to execute the Third Supplement to Indenture of Trust, with such changes, additions and modifications as the Executive Director may make or approve in accordance with Section 9 hereof.

- Section 5. Sale of Bonds by Negotiated Sale; Selection of Underwriters. The Executive Director is hereby authorized to sell the Bonds by negotiated sale pursuant to one or more purchase contracts as described in Section 6 below, if the Director determines that such manner of sale is in the best interest of the Port, such determination to be conclusively evidenced by the execution and delivery of such purchase contract or contracts by the Port. Stifel, Nicolaus & Company Incorporated and 280 Securities LLC are hereby appointed to act as underwriter(s) for the Bonds (the "Underwriters").
- Section 6. Approval of Form of Bond Purchase Contract relating to the Bonds. The form of bond purchase contract between the Port and the Underwriters, relating to the Bonds (the "Bond Purchase Contract"), as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Bond Purchase Contract, with such changes, additions and modifications as the Executive Director may approve in accordance with Section 10 hereof; provided that the underwriters' discount with respect to the Bonds shall not exceed 0.70 percent (0.70%) of the principal amount of the Bonds, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract by the Executive Director.
- Section 7. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Bonds (the "Official Statement"), as presented to this Port Commission, a copy of which is on file in preliminary form with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to approve the distribution of the Preliminary Official Statement in substantially said form, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the Executive Director's direction to the Underwriters to distribute the Preliminary Official Statement to potential purchasers of the Bonds. The Executive Director is hereby authorized to cause the distribution of the Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Executive Director is hereby further authorized and directed to authorize the distribution of and sign the Official Statement in final form.

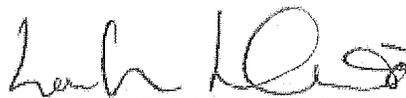
Section 8. Approval of the Escrow Agreements. The form of the Escrow Agreement for the Series 2010A Bonds and the Escrow Agreement for the Series 2010B Bonds (collectively, the "Escrow Agreements"), each by and between the Port and the Trustee, as Escrow Agent, as presented to this Port Commission, copies of which are on file with the Secretary of the Port Commission, are hereby approved. The Executive Director is hereby authorized to execute the Escrow Agreements, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreements by the Executive Director or to proceed with the refunding without the use of an escrow agreement, if the Director determines, in consultation with co-bond counsel and the co-municipal advisors, that it is in the best interests of the Port to do so.

Section 9. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate, as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate by the Executive Director.

Section 10. General Authority. The Executive Director, the Secretary of the Port Commission and other officers of the Port, the City Attorney and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to implement the proposed financing through the sale, issuance and delivery of the Bonds and otherwise to carry out the provisions of this Resolution.

Section 11. Ratification of Prior Actions. All actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Port Commission.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 22, 2019.



For Amy Quesada,
Secretary



MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Katharine Petrucione,
Deputy Director of Finance and Administration
Lawrence Brown,
Financial Analyst

DATE: November 15, 2019

SUBJECT: **Resolution authorizing the sale of up to \$27,000,000 aggregate principal amount of 2020 Port Refunding Revenue Bonds for the purpose of refunding all of the currently outstanding 2010 Port revenue bonds.**

We respectfully request that the Board of Supervisors (the “Board”) consider for review and adoption a resolution authorizing the Port of San Francisco to issue up to \$27,000,000 in 2020 Port Commission refunding revenue bonds. Proceeds from the sale will be used to refinance the remaining outstanding balance on the Port Commission’s 2010 revenue bonds.

In conjunction with this request, legislation approving the sale of these bonds, as well as a supplemental appropriation to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, November 19, 2019. We request that these items be heard at the scheduled January 8, 2020 meeting of the Budget and Finance Committee.

Background

In February, 2010 the Port issued \$36.7 million of Port revenue bonds to finance the design, construction, repair and improvements to various Port facilities including, among others, the James R. Herman Cruise Terminal at Pier 27. The 2010 revenue bonds were structured to allow the Port Commission, at its sole discretion, to redeem any or all of the remaining outstanding bonds at any time on or after March 1, 2020.

Port staff, in consultation with the Port’s financial advisors, has recently determined that the Port can realize significant debt service savings by refinancing the Port’s 2010 revenue bonds on March 1, 2020, when they first become eligible for refunding. The Port’s financial advisors have estimated that under current market conditions a refunding would generate total savings of approximately \$13.0 million in debt service over the remaining life of the 2010 Revenue Bond issue, or \$7.9 million on a net present value basis, assuming that the Port maintains its current credit rating. This equates to 26.5% of the principal amount of the bonds to be refunded, and is substantially above the threshold established by the Port’s Municipal Debt Policy for the issuance of refunding bonds.

Based on the significant debt service cost savings that can be achieved through a refinancing of the Port's 2010 revenue bonds, the Port Commission at its October 22, 2019 adopted Resolution 19-42 authorizing the issuance of up to \$27.0 million in new 2020 Port revenue bonds for the sole purpose of refinancing the remaining outstanding balance of the Port's 2010 revenue bonds.

General Fund Impact

The new 2020 Port refunding revenue bonds are special, limited obligation of the Port Commission secured and payable solely from Port net revenues.

The sale of these bonds will have no impact of the City's general fund.

Financing Parameters

The proposed legislation will authorize the sale by the Port of 2020 Port Commission refunding revenue bonds for the sole purpose of refinancing the Port Commission's currently outstanding 2010 revenue bonds. The legislation will also authorize: (i) the appropriation of \$30.0 million from a combination of bond proceeds from the 2020 sale and monies from the 2010 bond's debt service reserve fund that are currently on deposit with the bond trustee; (ii) the de-appropriation of \$1.9 million representing the March 1, 2020 debt service payment on the 2010 Port revenue bonds; and (iii) the re-appropriation of \$31.9 million of 2020 Port refunding revenue bond for fiscal year 2019-2020.

The table below outlines the estimated sources and uses of funds for the proposed Port revenue bond refinancing; based, in large part, on estimates provided by PFM Financial Advisors LLC, a municipal advisory firm registered with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB).

Estimated Sources and Uses of Funds for the 2010 Port Revenue Bond Financing

	<u>2020A</u>	<u>2020B</u>	<u>Total</u>
Estimated Sources:			
2020 Refunding Revenue Bond Proceeds	\$14,007,656	\$13,124,281	\$27,131,937
2010 Revenue Bond Debt Service Reserve Fund	<u>728,775</u>	<u>2,118,152</u>	<u>2,846,927</u>
Subtotal	\$14,736,431	\$15,242,433	\$29,978,864
2010 Revenue Bond Debt Service Payment	<u>\$364,388</u>	<u>\$1,555,636</u>	<u>\$1,920,024</u>
Total Estimated Sources:	\$15,100,819	\$16,798,069	\$31,898,888
Estimated Uses:			
Refunding Escrow Deposits	\$14,608,680	\$16,240,989	\$30,849,669
Cost of Issuance	142,141	163,900	306,041
Underwriter's Discount	<u>53,811</u>	<u>63,899</u>	<u>117,710</u>
Total Delivery Expense	\$195,952	\$227,799	\$423,751
Reserve for Market Uncertainty	<u>\$296,187</u>	<u>\$329,281</u>	<u>\$625,468</u>
Total Estimated Sources:	\$15,100,819	\$16,798,069	\$31,898,888

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, November 19, 2019. The forms of the following related financing documents will also be submitted.

- i. Third Supplement to the Indenture of Trust
- ii. Bond Purchase Agreement
- iii. Preliminary Official Statement
- iv. Continuing Disclosure Certificate
- v. Escrow Agreements (one for each series of 2010 Bonds)

The financing documents listed above are described in more detail below:

- i. Third Supplement to Indenture of Trust — This document is a short supplement to the existing Indenture of Trust (the Master Indenture, as previously supplemented; see description below), which provides for the specific terms of the proposed 2020 Refunding Bonds issuance. Those terms include the bonds' maturity and payment terms and schedules.

2010 Indenture of Trust (Master Indenture) This is the principal security document for the proposed issuance of 2020 Refunding Bonds. It is entered into between the Port and a Bond Trustee, U.S. Bank National Association, on behalf of the bondholders, and is the contract between the bondholders and the Port. The Master Indenture contains covenants regarding the operation of the Port that are designed to enhance the security of the Bonds and describes the terms under which investors will be repaid. Individual issuances of Port Revenue Bonds are offered for sale under a Supplement to Indenture which describes the terms specific to that particular issuance.

- ii. Preliminary Official Statement (POS) — The Preliminary Official Statement is the document that is distributed to potential investors to solicit their interest in purchasing any 2020 Refunding Bonds. It provides information concerning the bond issue and operational and financial information on the Port. As required by the Securities and Exchange Commission (SEC), the document must be accurate in all material respects, and may not have any misleading misstatements or omissions. To assure accuracy of this document, the Commission should carefully review it prior to authorizing its distribution to potential investors. Subsequent to sale of the 2020 Refunding Bonds in the bond market, the bond interest rates, and sales price information will be inserted. After the pricing information is inserted, the preliminary designation will be deleted from the document caption, and the document will be identified as the Official Statement which will be distributed to all purchasers of the 2020 Refunding Bonds upon closing of the transaction.
- iii. Bond Purchase Agreement — This document contains the terms and conditions for a sale of 2020 Refunding Bonds to the underwriters in a negotiated sale including the fees paid.
- iv. Continuing Disclosure Certificate — The continuing disclosure certificate is an agreement between the Port and the Underwriters under which the Port agrees to provide certain financial and operating data, including the Port's financial statements, on an annual basis and

to provide notices of certain specified events to the marketplace for the life of the 2020 Refunding Bonds issuance.

- v. Escrow Agreements — The escrow agreements describe the duties and obligations of the Escrow Agent (the same bank as the Bond Trustee under the Indenture) for the 2010 Bonds, and establishes an escrow fund for the deposit of monies from the following sources in an amount sufficient to fully redeem the 2010 Bonds; (i) the proceeds of the 2020 Refunding Bonds, (ii) the 2010 Bonds debt service reserve fund, and (iii) the 2010 Bonds debt service payment otherwise due March 1, 2020. Pursuant to each Agreement, the escrow agent will use the deposited funds plus a small amount of interest earnings generated while the funds are held by the Escrow Agent, to fully repay the outstanding 2010 Bonds on March 1, 2020, without premium.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Port Commission Revenue Bonds---Not to Exceed \$27,000,000
DATE: Tuesday, November 19, 2019

Resolution authorizing the issuance of not to exceed \$27,000,000 aggregate principal amount of Port Revenue Refunding Bonds to refund certain outstanding revenue bonds of the Port; approving the forms of documents relating thereto; and approving other related matters.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 NOV 19 PM 4:34
BY: *[Signature]*