



Port of San Francisco FY 2022-23 and 2023-24 Budget

Budget and Finance Committee

May 18, 2022



Overview: *Port financial outlook and budget strategy*

■ Port financial outlook

- Dire situation before receiving \$114 million of stimulus
- Stable two-year outlook with opportunity to implement recovery initiatives
- Projected **unsustainable** deficit in FY 2024-25 and beyond
- Uncertain factors in financial projections

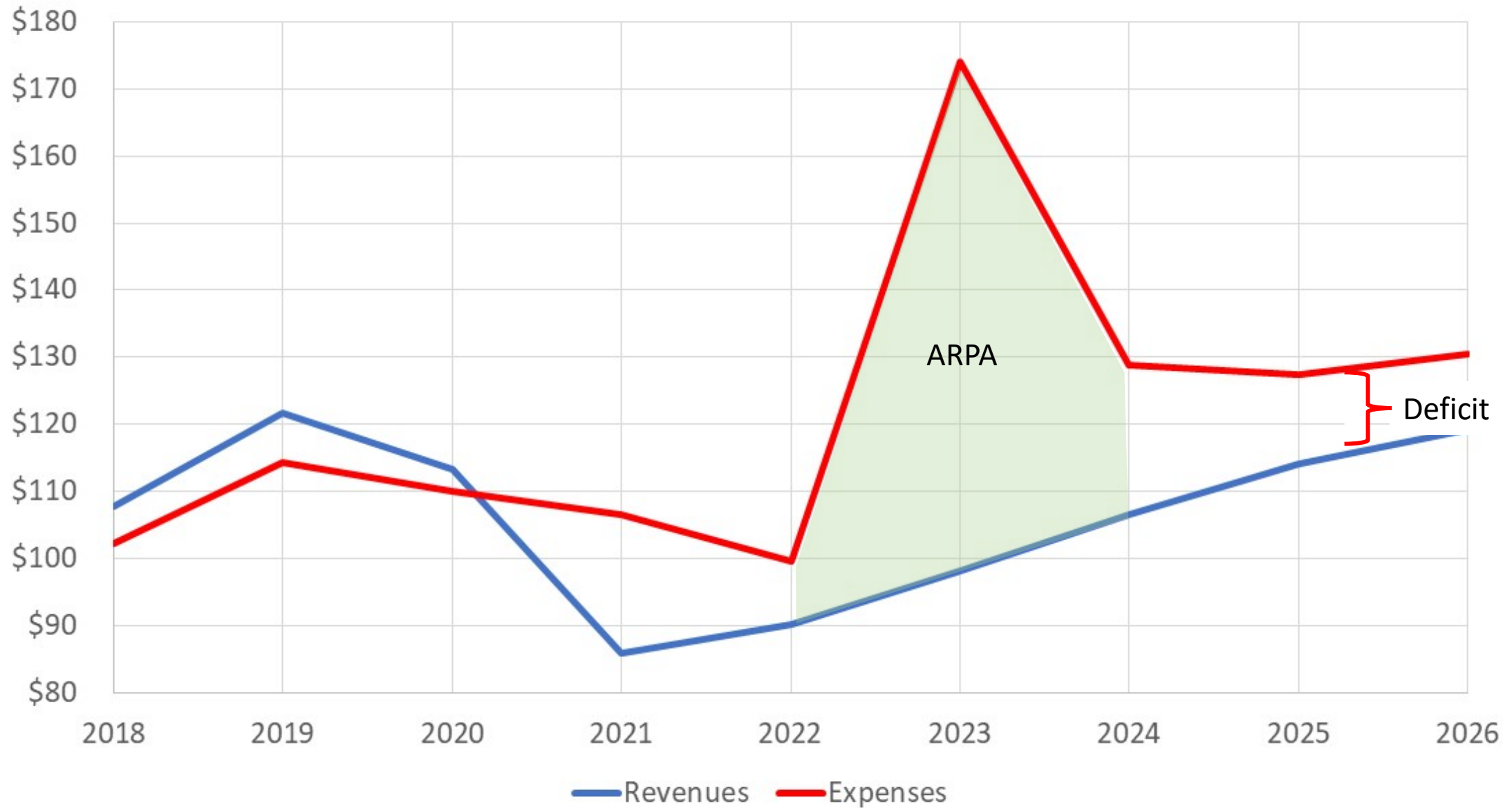
■ Budget strategy

- FY 2022-23 and 2023-24 budget reflects:
 - ✓ Economic recovery strategy set on the pillars of equity and resilience
 - ✓ Recognition of short-, mid-, and long-term solutions
 - ✓ Restoration of savings so the Port can again weather economic cycles
 - ✓ Investment in staff so our recovery is equitable and resilient

Economic impacts of the pandemic and early response

- Port revenues reduced nearly 40%. Losses primarily from cruise, restaurants, parking, retail and excursions
- \$30 million in unpaid rent, 10x recorded in prior years
 - ✓ Developed rent forgiveness program
 - ✓ Provided no interest loans to LBE partners
- Deferred \$38 million in capital maintenance projects and maintenance improvements, adding to our capital backlog and property concerns
- Reduced operating expenses by \$10 million: implemented a soft hiring freeze, cut materials & supplies and equipment to near zero – all harmful to operations
- Used fund balance to avoid layoffs

Revenues vs. Expenses (\$millions)



Port values and strategy



What do we aim to achieve?

- A clean, safe and welcoming waterfront for the public
 - ✓ Pre pandemic, 24 million visitors caused \$4 billion in economic output
- Compliant leases and thriving Port tenants
 - ✓ More than 500 tenants, supporting \$1.2 billion in wages
- Vibrant maritime activities that drive tourism and create jobs
- Investments in delayed capital maintenance and strategic projects
- A diverse, equitable and inclusive waterfront and Port organization
- Reduced earthquake and flood risks (WRP)
- Fully staffed Port to tackle challenges and seize opportunities



FY 2022-23 & 2023-24 BUDGET SUMMARY (\$millions)

Revenues	FY 2021-22	FY 2022-23	FY 2023-24
Real Estate	55.8	72.6	80.8
Maritime	19.7	23.7	22.9
Other	10.4	17.1	12.5
South Beach Harbor	4.9	5.4	5.6
Stimulus and Grants	1.7	74.5	27.3
Total	92.5	193.2	149.1
Expenses	FY 2021-22	FY 2022-23	FY 2023-24
Operating Expenses	92.2	102.2	104.8
Programmatic Projects	11.1	3.1	3.2
South Beach Harbor	4.9	5.4	5.6
Defunded Capital	-28.4	0.0	0.0
Capital Projects	0.0	78.2	32.2
Deposit to Reserves	12.8	4.4	3.3
Total	92.5	193.2	149.1

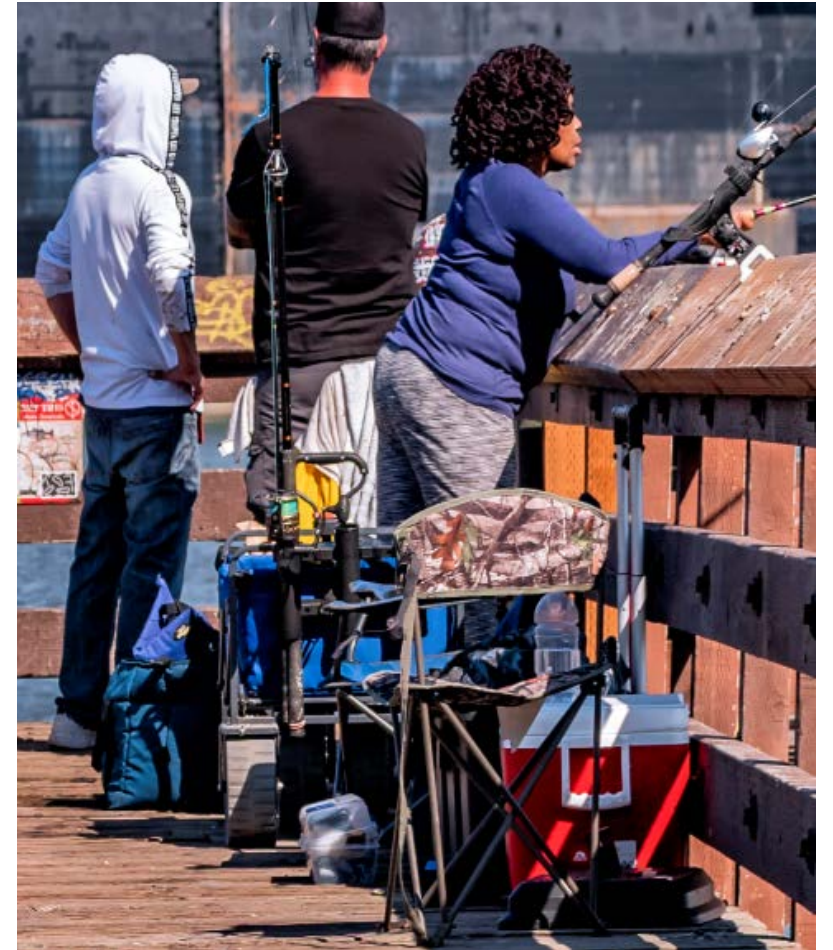
Revenue Drivers

Real Estate

- Parking meter revenue rebounding
- Tourism, and associated revenues, returning slowly between now and 2026
- Rent from office, land, shed flat through FY 2023-24
- Improved leasing efforts with increased staffing

Maritime

- Return of cruise revenue (100+ calls)
- Shipyard leasing opportunities may generate revenue above budget assumption



Expense Changes



Increased Personnel Costs

- Cost-of-living
- Fund approx. 20 positions so they can be filled (reduced attrition)
- Position reclassifications and five new positions (plus off-budget positions)

Increased Non-Personnel Costs

- Other Current Expenses
 - Engineering consultant cost consolidation (shifting from annual projects)
 - Security contract renewal, increase in janitorial, partially offset by renegotiation of Pier 1 lease
- Restoration of equipment budget to pre-pandemic levels million

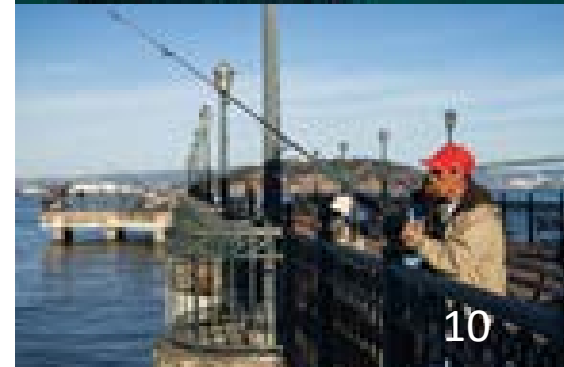
Key economic recovery strategies

Real Estate

- Keep tenants in place that have plans for success
- Stabilize tenant portfolio and achieve lease compliance
- Deploy creative re-leasing strategies: tenant improvements and brokered placements
- Active spaces to bring people back to the waterfront: pop-up RFQ and promotion of special events

Maritime

- Grow cruise business
- Showcase fishing and other key maritime activities
- Prepare facilities for diversified cargo
- Attract new innovative cargo and forward-looking businesses



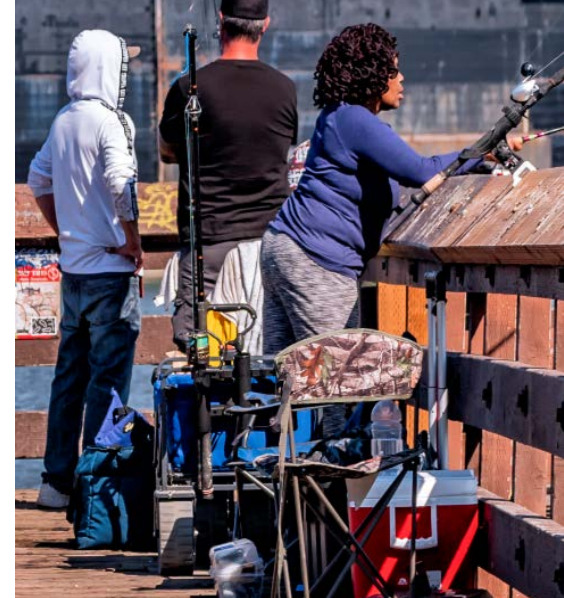
Key economic recovery strategies (continued)

Invest in staff to:

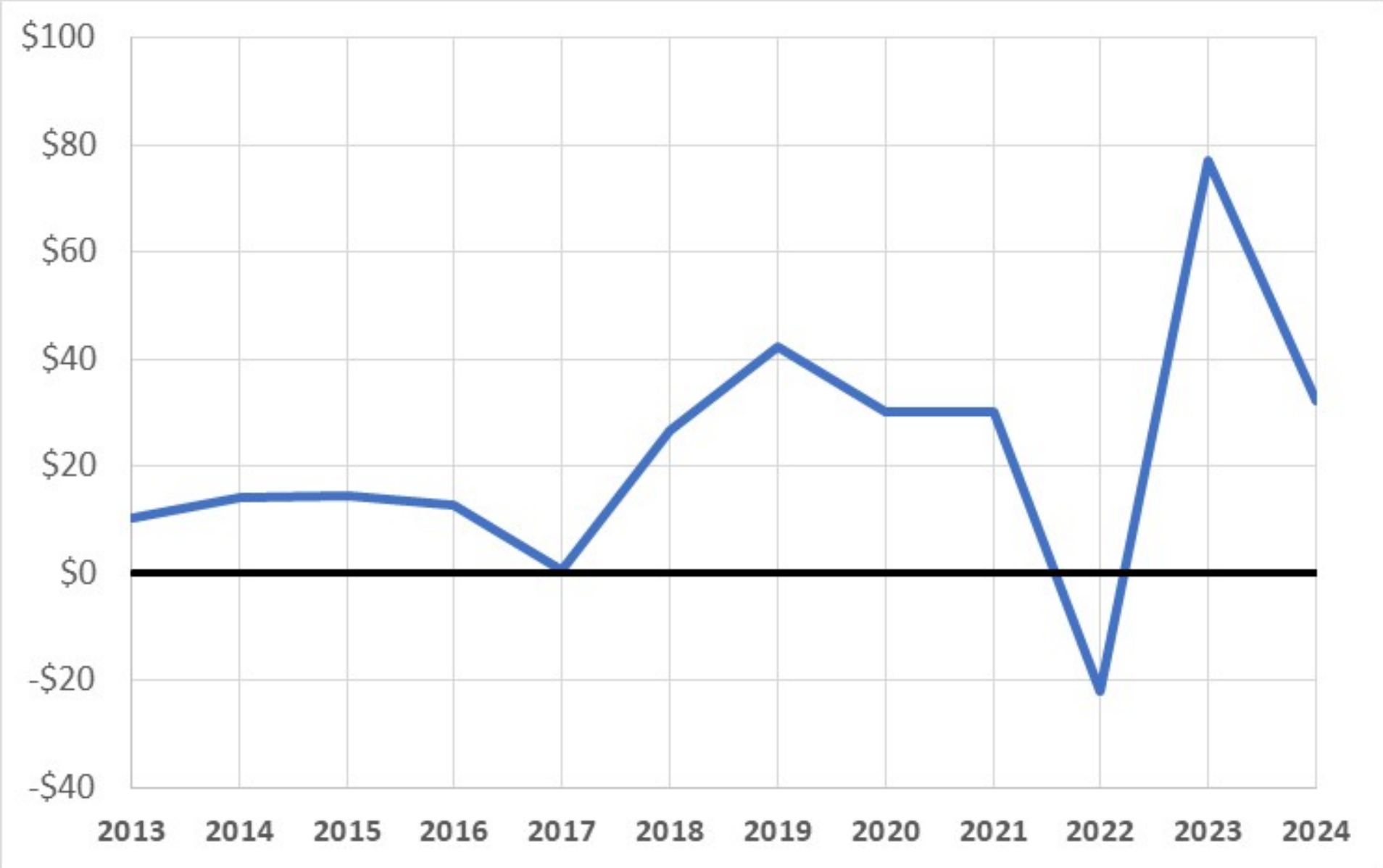
- Retain staffing levels to deliver key functions
- Fill vacant and add new positions to meet changing demands
- Sustain efforts to create an equitable anti-racist organization where every employee can make their best contribution

Invest in facilities to:

- Sustain and generate revenue in Port facilities
- Improve maritime facilities for diversified and green cargo
- Address safety concerns
- Match Federal and State funding for generational investments

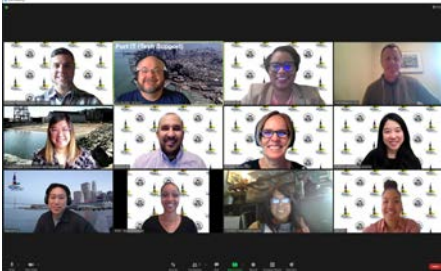


Port achieves major capital investment



\$millions

STAFFING & HIRING



STAFFING & HIRING

	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
Funded Positions	286	286	294	302	298
Current Filled Positions	230	238	265	284	265
Vacancies	56	48	29	18	33

- Vacancies have critical impact on Port operations and revenue generation
- Adding resources to Port HR to drive faster hiring to support economic recovery, support staff development and advance equity work

COMMUNITY ENGAGEMENT STRATEGY

Engage stakeholders on Port functions and activities to deliver vibrant and diverse waterfront experiences that enrich the City and San Francisco Bay and create an economically vibrant, equitable, safe and resilient waterfront for all people.

The Port leads robust and transparent engagement:

- Development projects
- Special Projects
- Resilience
- Contracts & LBE outreach
- Budget

THANK YOU!



Elaine Forbes
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