

FY 2021-22 Port Capital Supplemental Appropriation

Capital Planning Committee Presentation

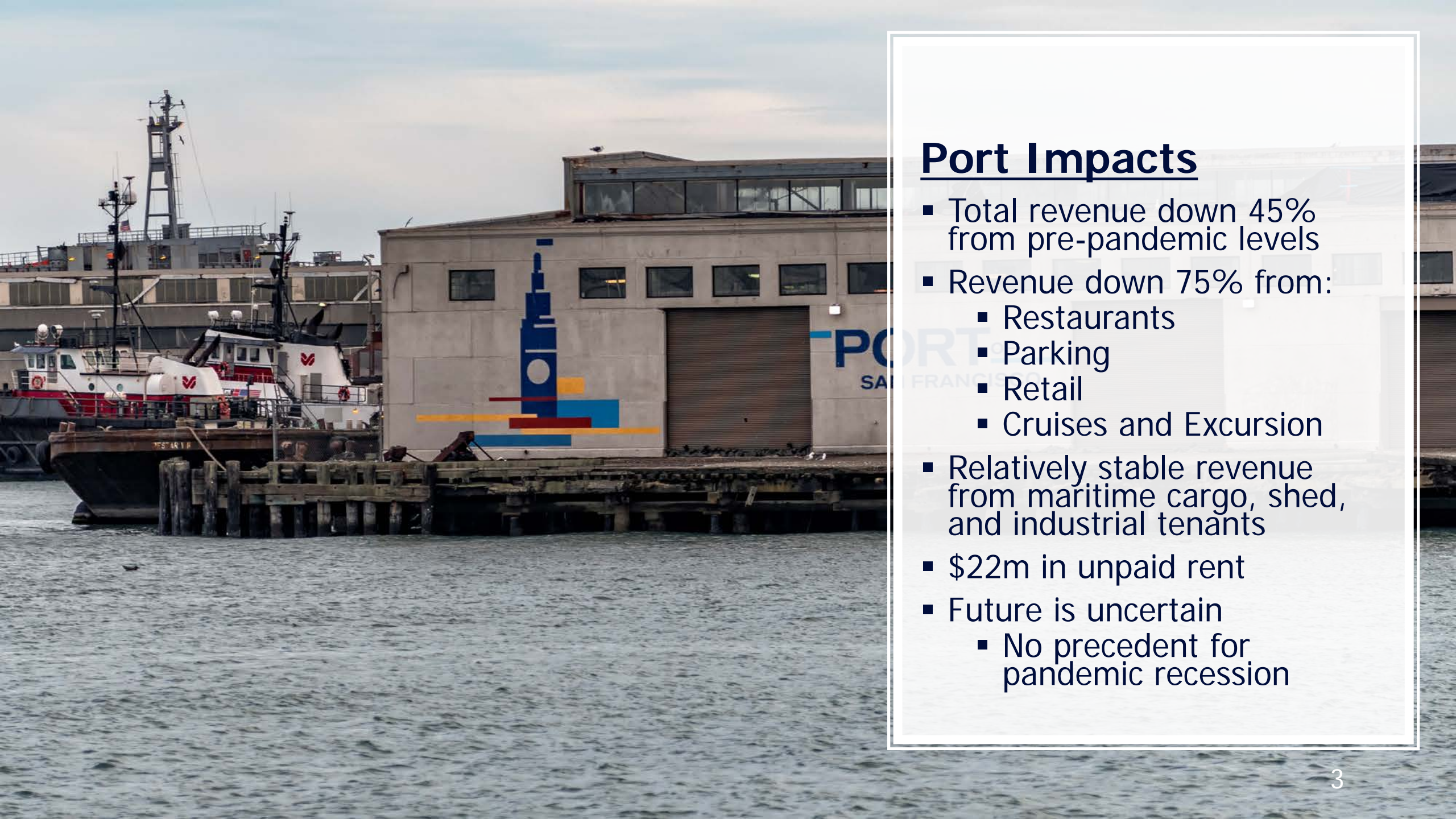
April 19, 2021





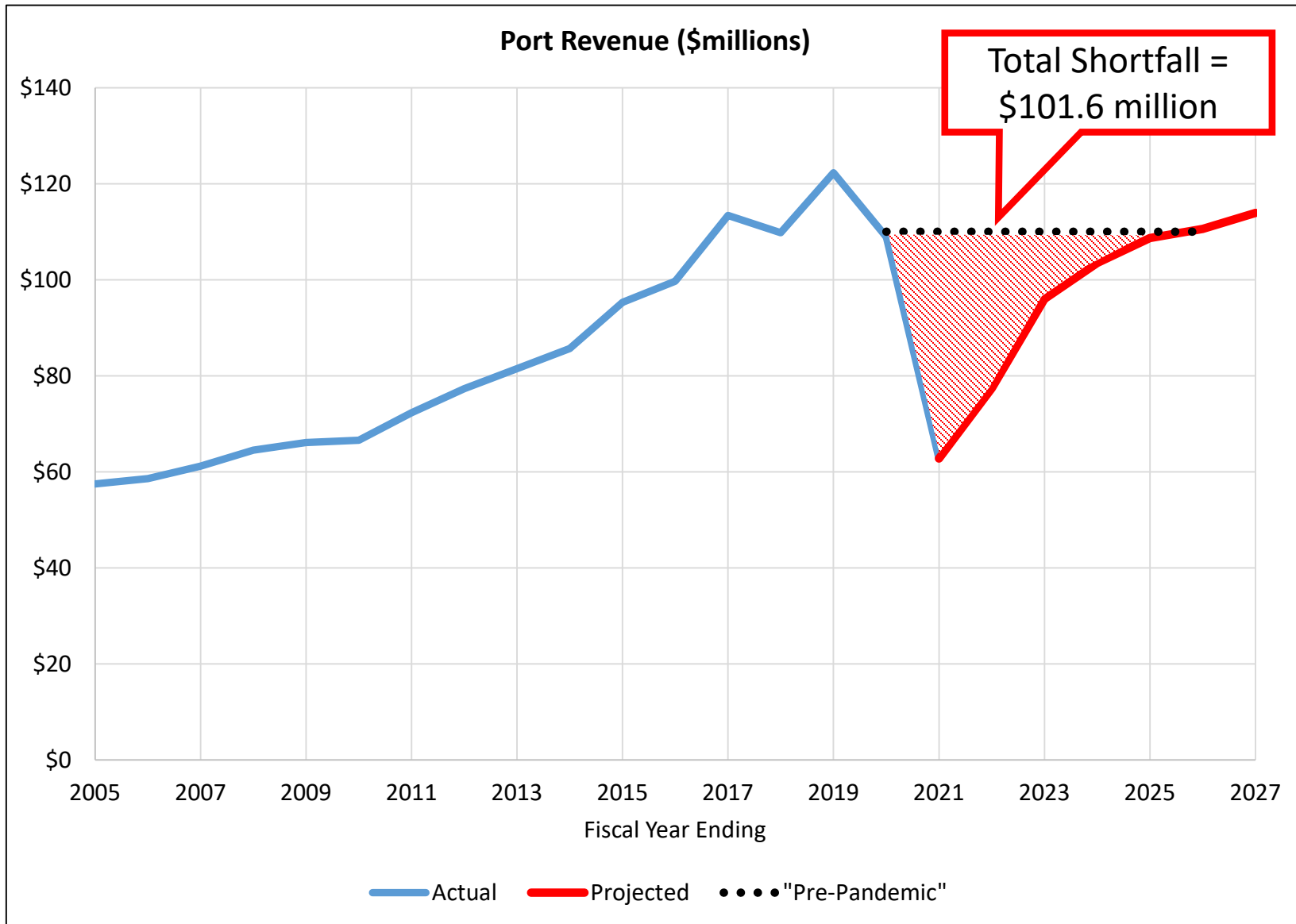
COVID Economic Impacts on City

- San Francisco metro area has lost 79,000 jobs since March 2020
- Office vacancy has nearly tripled
- Hotel tax down 80%
- Sales tax down 50% in brick-and-mortar stores



Port Impacts

- Total revenue down 45% from pre-pandemic levels
- Revenue down 75% from:
 - Restaurants
 - Parking
 - Retail
 - Cruises and Excursion
- Relatively stable revenue from maritime cargo, shed, and industrial tenants
- \$22m in unpaid rent
- Future is uncertain
 - No precedent for pandemic recession





Budget Considerations

- **Enterprise Agency**

- We operate on our own revenues, without General Fund support

- **Maintain Mission and Revenue Capacity**

- Maritime mission and life safety
 - Maintain investments in revenue generation

- Capital Investment**

- \$1 billion is current backlog
 - Pre-COVID investment approx \$20m/yr

- **Fund Balance (Reserves)**

- Need at least \$30m to keep bond ratings and cushion for emergencies

Operating Budget and Adjustments

- FY 2020-21 – **\$12.5 million** in Savings
 - Delaying hiring for vacant positions and eliminate creation of planned new positions (\$4.8m)
 - Reducing prof services contracting budget (\$1.9m)
 - Reducing materials, supplies, and equipment purchases (\$1.7m)
 - Services from other City Departments (\$1.4m)
 - Programmatic projects such the IT strategic plan (\$2.7m)
- FY 2021-22 – **\$2.1 million** in Additional Savings
 - Shifting employee cost to non-Port operating funding sources (\$1.4m)
 - Delaying backfilling vacant positions (\$0.4m)
 - Reducing non-salary costs such as materials and supplies, contractual services, and inter-departmental work orders (\$0.3m)
 - Reducing temp salaries (\$0.1m)



Integrating Racial Equity

- Hired first Diversity, Equity, and Opportunity Officer and delivered Phase 1 of the Port's Racial Equity Action Plan
- Under guidance of Office of Capital Planning and Office of Racial Equity, the Port will
 - Integrate racial equity analysis in future capital project selection
- The Port will continue using capital funds to:
 - Support affordable housing
 - Invest in southern waterfront development and resilience
 - Protect transportation infrastructure and jobs in the northern waterfront



Capital Supplemental Appropriation

- FY 2021-22 Supplemental includes:
 - \$8.3 million capital budget funding 10 projects
 - \$38.3 million in de-appropriations
 - Defunded Capital Appropriations
 - Project Clean Up
 - Waterfront Resilience Program Reimbursement

FY 2021-22 Capital Budget



Portwide

	<u>Approved June Budget</u>	<u>Proposed Budget</u>	<u>Change From Approved FY 2020-21 Budget</u>	
			<u>Amount</u>	<u>Percentage</u>
Project Management Office	\$ 1,494,465	\$ 857,208	\$ (637,257)	-42.6%
Fire Protection Engineer	\$ 261,742	\$ -	\$ (261,742)	-100.0%
Waterfront Resilience Program	\$ 605,222	\$ 605,222	\$ -	0.0%
Homeland Security Grant Match	\$ 182,505	\$ 182,505	\$ -	0.0%
Contingency -Overages	\$ -	\$ 1,000,000	\$ 1,000,000	100.0%
Facility Condition Assessments	\$ -	\$ 1,000,000	\$ 1,000,000	100.0%
Insurance Deductible	\$ -	\$ 750,000	\$ 750,000	100.0%
Contingency -Unforeseen, Emergency, ADA	\$ -	\$ 500,000	\$ 500,000	100.0%
<i>Portwide Subtotal</i>	<i>\$ 2,543,934</i>	<i>\$ 4,894,935</i>	<i>\$ 2,351,001</i>	<i>92.4%</i>

Northern Waterfront

Hyde Street Harbor Cleanup	\$ -	\$ 1,000,000	\$ 1,000,000	100.0%
<i>Northern Waterfront Subtotal</i>	<i>\$ -</i>	<i>\$ 1,000,000</i>	<i>\$ 1,000,000</i>	<i>100.0%</i>

Southern Waterfront

Southern Waterfront Beautification Fund	\$ 2,000,000	\$ 2,000,000	\$ -	0.0%
Pier 80 Berth C Fendering Upgrade	\$ 375,000	\$ 375,000	\$ -	0.0%
<i>Southern Waterfront Subtotal</i>	<i>\$ 2,375,000</i>	<i>\$ 2,375,000</i>	<i>\$ -</i>	<i>0.0%</i>

Capital Budget Total	\$ 4,918,934	\$ 8,269,935	\$ 3,351,001	68%
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FY 2021-22 Capital De-Appropriations

<i>Defunded Projects</i>	\$ 17,732,964
Amador Street	\$ 6,000,552
Pier 35 Substructure Repair	\$ 2,965,364
Bay Pile Removal	\$ 1,954,104
Wharf J9 Seawall & Deck Repair Project	\$ 1,758,822
Pier 19 North Apron	\$ 1,686,226
Pier 70 Shipyard Port Capital Contribution	\$ 1,417,903
Grain Silo Demolition	\$ 1,150,000
Pile Repair Crew	\$ 799,993
<i>Project Clean Up</i>	\$ 9,053,923
<i>Waterfront Resilience Program Reimbursement</i>	\$ 11,500,000
<i>Total Capital De-Appropriations</i>	\$ 38,286,887



Waterfront Resilience Program Reimbursement

- On July 9, 2019 the Port Commission approved lending the Waterfront Resilience Program \$11.5 million, to be reimbursed by future GO Bond sale
 - This allowed the program to continue work while litigation delayed the first Seawall bond issuance
 - City issued bonds in June 2020



Economic Recovery Initiative FY 22-23 and beyond

Cross-organizational effort to rethink Port services to support ongoing financial sustainability, increased capital investment and reasonable fund balance. Changes could include:

- Generating new revenue
- Receiving stimulus and other forms of federal and state relief
- Receiving grant or debt funding for capital
- Identifying operating savings such as resizing Port office space, with new locations or telecommuting
- Identify efficiencies through streamlining workflows and holding positions vacant
- Examining interfund borrowing

ERI proposals to form basis of FY 22-23 and 23-24 budget proposal

	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Starting Fund Balance	\$ 68.5	\$ 20.2	\$ 33.4	\$ 27.1	\$ 25.0	\$ 26.2	\$ 27.4
<u>Revenues</u>							
Operating Revenues	62.8	77.4	96.0	103.5	108.7	110.6	113.9
One-Time Revenue	0.7	0.6	0.1	0.1	0.1	0.1	0.1
South Beach Harbor	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Orton CFD	0.0	0.3	0.3	0.3	0.3	0.3	0.3
Capital Defunding	0.0	38.3	0.0	0.0	0.0	0.0	0.0
New Operating Savings		2.4	3.9	5.5	2.9	3.1	3.2
Future ERI Savings			7.9	6.7	9.7	9.8	10.1
<u>Expenses</u>							
Operating Expenses	-86.2	-94.0	-97.1	-99.2	-101.4	-103.6	-105.9
Programmatic Projects	-14.7	-3.4	-4.0	-4.0	-4.0	-4.0	-4.0
Development Projects	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
South Beach Harbor	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9
Capital Appropriations	-10.9	-8.3	-13.3	-15.0	-15.0	-15.0	-15.0
Net Operating Income (-Loss)	-48.4	13.2	-6.3	-2.2	1.3	1.2	2.6
Ending Fund Balance	\$ 20.2	\$ 33.4	\$ 27.1	\$ 25.0	\$ 26.2	\$ 27.4	\$ 30.0



Next Steps

- FY21-22 Supplemental Appropriation Ordinance goes to the Board of Supervisors
- ERI process began in April
 - Analysis and decision making will take many months, with implementation likely in FY 22-23.



Questions?