

DUE DECEMBER 31 Pursuant to Public Resources Code § 6306

Fiscal/Calendar Year:

Grantee Name:

Contact Person:

Mailing Address:

1. Funds

- a. Is a separate fund maintained for trust assets, liabilities, revenues and expenditures?

YES ☐ NO ☐

If "Yes", please list the name(s) of the fund(s).

If "No", under what fund are they accounted for?

- b. Are separate financial statements prepared for the trust?

YES ☐ NO ☐

If "Yes," describe the organization of the separate financial statement.

If "No," in which financial statements are they included? (Name of the document(s) and the applicable page number(s)).

2. Revenue

- a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year?

- b. Please list all sources of revenue and the amount of revenue generated from each source (e.g., permits, rentals, percentage of lease, etc.).

GRANTED PUBLIC TRUST LANDS STANDARDIZED REPORTING FORM

SLC 150 (formerly Form 12.26)

3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year?
- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended.
- c. Have there been any capital improvements over \$250,000 within the current fiscal year? Are any capital improvements over \$250,000 expected in the next fiscal year?
- d. Describe any other disposition of trust funds or assets or any other disposition of the trust lands or trust assets themselves. Include any internal funds that were transferred to other grantees, to the management of entity or under the management of another political subdivision of the grantee under an agreement, settlement, or memorandum of understanding.

4. Beginning and Ending Balance

Please list the beginning and ending balances for the tidelands trust fund(s) for this past fiscal year.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and 2019

Introduction

This discussion and analysis is a narrative overview and analysis of the financial activities of the Port of San Francisco (Port). It serves as an introduction to the audited financial statements, which can be found on pages 24 to 29 of this report. This overview should be read in conjunction with the more detailed information contained within the accompanying financial statements.

The Port is a self-supporting enterprise department of the City and County of San Francisco (City), and its financial statements are included in the City's basic financial statements. Only the accounts of the Port are included in the financial statements that follow. The Port Commission is responsible for seven and one-half miles of waterfront property, which was transferred in trust from the State of California to the City in 1969. The Port's revenue is derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise, and other maritime activities. Additional information concerning the Port's organization and the basis of presentation for this financial report is contained in Note 1 and Note 2 to the financial statements (pages 31 to 36).

Financial Statement Overview

The statements of net position present information on all the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the sum of these elements reported as "net position." Increases and decreases in net position serve as a useful indicator of the changes in financial position of business enterprise entities like the Port.

The statements of revenues, expenses and changes in net position present information that shows how the Port's net position changed during the most recent two years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement also reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g. uncollected rents from tenants and earned and unused vacation leave).

The statements of cash flows present information about the cash receipts and cash payments of the Port during the most recent two fiscal years. This statement shows the changes in cash and cash equivalents as a result of operating, investing, capital, and financing transactions. When used with related disclosures and information in the other financial statements, the information in the statements of cash flows helps readers assess the Port's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external funding.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes follow the financial statements and can be found on pages 31 to 77 of this report. The supplemental combining schedules of this report provide additional information about South Beach Harbor (SBH).

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The following is a presentation of condensed financial information derived from the financial statements.

Condensed Financial Information – Port of San Francisco

Comparative Net Position (in thousands)

	June 30,			2020-2019	2019-2018
	2020	2019	2018	Change	Change
Current and other assets	\$ 265,363	\$ 227,819	\$ 214,424	\$ 37,544	\$ 13,395
Capital assets	461,777	464,272	434,702	(2,495)	29,570
Total assets	727,140	692,091	649,126	35,049	42,965
Deferred outflows of resources	18,491	14,547	14,672	3,944	(125)
Current liabilities	36,373	31,925	32,221	4,448	(296)
Noncurrent liabilities	228,157	234,166	226,424	(6,009)	7,742
Total liabilities	264,530	266,091	258,645	(1,561)	7,446
Deferred inflows of resources	9,809	9,909	3,201	(100)	6,708
Net position:					
Net investment in capital assets	334,472	334,188	305,609	284	28,579
Restricted	42,371	14,467	20,738	27,904	(6,271)
Unrestricted	94,449	81,983	75,605	12,466	6,378
Total net position	\$ 471,292	\$ 430,638	\$ 401,952	\$ 40,654	\$ 28,686

Changes in Net Position (in thousands)

	Year Ended June 30,			2020-2019	2019-2018
	2020	2019	2018	Change	Change
Revenues:					
Operating revenues	\$ 108,863	\$ 122,033	\$ 109,769	\$ (13,170)	\$ 12,264
Nonoperating revenues	10,843	27,860	6,463	(17,017)	21,397
Capital contributions	43,895	1,909	2,626	41,986	(717)
Total revenues	163,601	151,802	118,858	11,799	32,944
Expenses:					
Operating expenses	118,278	112,108	96,804	6,170	15,304
Nonoperating expenses	4,669	11,008	5,844	(6,339)	5,164
Total expenses	122,947	123,116	102,648	(169)	20,468
Change in net position	40,654	28,686	16,210	11,968	12,476
Net position, beginning of year	430,638	401,952	385,742	28,686	16,210
Net position, end of the year	\$ 471,292	\$ 430,638	\$ 401,952	\$ 40,654	\$ 28,686

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Nonoperating revenues and expenses, other than interest income and expense, tend to fluctuate widely based on largely nonrecurring transaction activities or events. Investments are reported at fair value, and the corresponding change in fair value is reported along with interest and investment income. Operating grants consist of financial assistance received from various agencies for noncapital purposes, such as special studies, disaster response training, and environmental investigations. Nonoperating revenues decreased by \$17,017,000 in 2020 primarily due to the Port's one-time receipt of the South Beach Harbor operations from the OCII, increasing nonoperating revenues by \$18,340,000 in prior year. This transaction was recorded as a special item on the statement of revenues, expenses, and net position in 2019. This was offset by other significant fluctuations in nonoperating revenues, which included a \$3,381,000 net gain from the Pier 45 fire insurance settlement in the current year. Nonoperating expenses decreased by \$6,339,000, primarily due to the Port's \$6,500,000 contribution to the Pier 70 development project, to pay for entitlement and other early development costs in the prior year (Note 6). The Port expects to recover this contribution through future special taxes or future tax increment. This was offset by other fluctuations in nonoperating expenses, which included \$606,000 in bond issuance costs from a refunding bond issuance in 2020.

Capital Asset and Debt Administration

Capital Assets

The Port's capital assets as of June 30, 2020 and 2019, respectively, were \$461,777,000 and \$464,272,000, net of accumulated depreciation/amortization. Principal capital assets include land, certain street and road improvements, pier promenades, pier substructure, buildings and related improvements, vehicles, equipment, and furniture. More information concerning the Port's capital assets can be found in Note 6 on pages 40-41 of this report.

Significant project appropriations cover capital projects planned and in progress, including the pending expenditure of the debt issuances discussed below and the general obligation bond proceeds allocated to the Seawall Program and open space and park projects along the waterfront. As of June 30, 2020, the budget file indicates over \$160,098,000 in appropriations for Port capital projects. The Port had firm purchase and contract commitments on June 30, 2020, of approximately \$15,719,000 for various capital projects.

Major capital asset related events of 2020 included the following:

- *Crane Cove Park* - Crane Cove Park, one of the Port's Blue Greenway projects, is a new open space in the Union Iron Works National Historic District located at Pier 70. This site was part of an operating shipyard for more than 100 years and is being transformed into public open space, using multiple construction contracts. In November 2018, the Port awarded a contract to complete the majority of park construction and improvements and the park opened in September 2020. See the development activities section below for more information.
- *Pier 29 Marine Substructure Repair* - This project included substructure repairs to the underdeck structures (i.e. slabs, beams, and piles) consistent with the historical features of the pier building and the Embarcadero Historic District. The work scope included executing repairs to approximately 17,000 square feet of the western Pier 29 substructure area, which consists of the area under the Pier 29 bulkhead building, to make currently vacant space a more attractive leasing opportunity.

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- *Dredging at Pier 27 and Pier 35* – The Port's maintenance dredging program is essential work that maintains depths at berths for vessels in support of maritime commerce. Dredging at the Pier 35 Cruise Terminal (east side) and the Pier 27 Cruise Terminal was performed during this fiscal year. This work included required pre-dredge testing of sediments to assess chemical quality to determine where dredged sediments can be disposed of or if they can be beneficially reused. During the 2020 fiscal year, the Port transported almost 22,000 cubic yards of sediment for beneficial reuse at the Montezuma Wetlands Restoration Site in Solano County. This project is returning farmland to its original wetland state.
- *Mission Bay Ferry Terminal* - Mission Bay Ferry Landing will provide regional ferry service to and from San Francisco's Mission Bay, Dogpatch, Potrero Hill, Pier 70, and Central Waterfront neighborhoods. The ferry landing will provide the capacity to berth two ferry boats simultaneously, with the capacity to handle up to 6,000 passengers per day. The terminal is essential to alleviate current regional transportation overcrowding and provide transportation resiliency in the event of an earthquake, BART or Bay Bridge failure, or other unplanned events. The Port is leading the project in collaboration with the Water Emergency Transportation Authority (WETA), with the support of the Office of Economic and Workforce Development, and consulting design teams. The project design and environmental permitting are complete. Dredging and site preparation (Phase 1) is underway and anticipated to be completed by the end of 2020. Due to the financial impact of COVID-19 and project funding limitations, the Port has revised the project timetable. However, as a short-term solution, the Port and WETA constructed an interim ferry landing at Pier 48½ with financial support from Golden Gate Transit. The interim facility opened in fall 2019.
- *Pier 19 and 23 Fire Standpipe* - To provide the San Francisco Fire Department (SFFD) additional firefighting resources, the Port installed manual wet Class I fire standpipe systems at both Pier 19 and Pier 23. This included installation of fire department connections (FDC), pipe distribution networks, hangers, bracing, and hose valves at both facilities. Each system included five hose valves on the exterior apron of the pier and will provide hose connections to SFFD firefighters when responding to a fire. In addition to the FDC at the Embarcadero, a four-way FDC was installed for the fireboat at the end of the pier. Also, to protect the City's water system, the project installed new backflow prevention assemblies along the Embarcadero.

Debt Administration

Detailed information concerning the Port's long-term obligations can be found in Note 8 on pages 43-49 of this report. As of June 30, 2020, the Port had long-term debt obligations excluding bond premiums of \$79,963,000, including \$3,367,000 that is due during the next fiscal year. Total debt outstanding consists of \$43,600,000 in revenue bonds, \$28,795,000 in certificates of participation, and \$7,568,000 in a loan that is secured by specified revenue sources.

The Port issued refunding revenue Series 2020AB Bonds in 2020. The 2020 revenue bonds were issued with long-term credit ratings of "Aa3", "A" and "A" from Moody's Investor Services, Standard & Poor's Rating Services (S&P), and Fitch Ratings, respectively. The 2014 revenue bonds were issued with long-term credit ratings of "A1", "A-" and "A" from Moody's Investors Services, Standard & Poor's Ratings Services (S&P), and Fitch Ratings, respectively.

**PORT COMMISSION
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Statements of Net Position (Continued)

June 30, 2020 and 2019

(dollar amounts in thousands)

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,055	\$ 7,464
Due to other City funds (Note 14)	3,402	585
Accrued interest payable	1,338	1,740
Accrued payroll	2,059	1,654
Accrued vacation and sick leave pay (Note 8)	1,587	1,362
Accrued workers' compensation (Notes 8 and 18)	450	417
Estimated claims payable (Notes 8 and 18)	100	200
Current maturities of long-term obligations (Note 8)	3,367	3,079
Pollution remediation obligations (Notes 8 and 17)	-	44
Prepaid rents and advance payments	3,345	3,058
Rent credits due to tenants	1,951	2,559
Lessee and other deposits	10,719	9,763
Total current liabilities	36,373	31,925
Noncurrent liabilities:		
Accrued vacation and sick leave pay (Note 8)	1,259	957
Accrued workers' compensation (Notes 8 and 18)	2,107	2,131
Estimated claims payable (Notes 8 and 18)	350	250
Long-term obligations - net of current maturities (Note 8)	81,140	86,625
Pollution remediation obligations (Notes 8 and 17)	2,942	4,105
Net pension liability (Note 10)	37,124	38,027
Net OPEB liability (Note 12)	31,448	28,956
Prepaid rents, advance payments and other liabilities	27,963	28,095
Rent credits due to tenants	43,824	45,020
Total noncurrent liabilities	228,157	234,166
Total liabilities	264,530	266,091
Deferred inflows of resources		
Deferred inflows of resources related to pensions (Note 10)	7,547	7,224
Deferred inflows of resources related to OPEB (Notes 12)	2,262	2,685
Total deferred inflows of resources	9,809	9,909
Net position		
Net investment in capital assets	334,472	334,188
Restricted for capital projects	42,371	14,467
Unrestricted	94,449	81,983
Total net position	\$ 471,292	\$ 430,638

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

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

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019
(dollar amounts in thousands)

	2020	2019
Operating revenues (Note 9):		
Commercial and industrial	\$ 55,733	\$ 60,034
Parking	18,540	21,793
Cruise	5,227	7,947
Cargo	8,861	7,843
Fishing	2,218	2,273
Harbor services	6,523	2,672
Other maritime	3,089	2,559
Other	8,672	16,912
Total operating revenues	<u>108,863</u>	<u>122,033</u>
Operating expenses:		
Personal services	42,650	37,905
Contractual services	19,901	19,129
Utilities	2,883	2,961
Materials and supplies	1,628	1,353
Depreciation and amortization	26,379	24,608
General and administrative	4,405	3,847
Services provided by other City departments (Note 14)	20,105	18,718
Pollution remediation (Note 17)	(1,207)	1,105
Other	1,534	2,482
Total operating expenses	<u>118,278</u>	<u>112,108</u>
Operating income (loss)	<u>(9,415)</u>	<u>9,925</u>
Nonoperating revenues (expenses):		
Interest and investment income	5,306	6,189
Operating grants and transfers	2,141	3,331
Gain from insurance settlement (Note 6)	3,381	-
Gain (loss) from dispositions, net	15	(174)
Bond issuance costs	(606)	-
Interest expense	(4,063)	(4,334)
Other contributions (Note 6)	-	(6,500)
Total net nonoperating revenues (expenses)	<u>6,174</u>	<u>(1,488)</u>
Change in net position before capital contributions	<u>(3,241)</u>	<u>8,437</u>
Capital contributions:		
Grants from government agencies and other contributions	43,895	1,909
Special item:		
Receipt of operations - South Beach Harbor (Note 13)	<u>-</u>	<u>18,340</u>
Change in net position	40,654	28,686
Net position, beginning of the year	430,638	401,952
Net position, end of the year	<u>\$ 471,292</u>	<u>\$ 430,638</u>

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

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

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

**PORT COMMISSION
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Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019
(dollar amounts in thousands)

	2020	2019
Cash flows from operating activities:		
Cash received from tenants for rent	\$ 76,592	\$ 81,496
Cash received from customers and others	28,510	37,994
Deposits received from tenants and customers	1,444	1,632
Cash paid to employees for services	(44,885)	(38,534)
Cash paid to suppliers for goods and services	(29,323)	(32,417)
Cash paid to City for services	(19,209)	(19,154)
Customer deposits returned	(459)	(612)
Net cash provided by operating activities	<u>12,670</u>	<u>30,405</u>
Cash flows from noncapital financing activities:		
Contribution and receipt from other City Departments	14,900	500
Operating grants	2,846	48
Proceeds from OCII related to South Beach Harbor operations (Note 13)	-	5,078
Other contribution (Note 6)	-	(6,500)
Insurance proceeds	6,100	-
Net cash provided by (used in) noncapital financing activities	<u>23,846</u>	<u>(874)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(24,930)	(32,924)
Dredging	(574)	(2,565)
Payments of long-term debt	(2,084)	(2,693)
Payment to bond refunding escrow	(4,101)	-
Interest payments on long-term debt	(3,673)	(4,463)
Capital grants and contributions received	775	3,980
Capital contributions received from City	46,029	-
Refunding bond issuance costs	(606)	-
Proceeds from sale of equipment and materials	15	14
Net cash provided by (used in) capital and related financing activities	<u>10,851</u>	<u>(38,651)</u>
Cash flows from investing activities:		
Interest and investment income	6,007	5,465
Net cash provided by investing activities	<u>6,007</u>	<u>5,465</u>
Change in cash and cash equivalents	53,374	(3,655)
Cash and cash equivalents, beginning of year	192,761	196,416
Cash and cash equivalents, end of year	<u>\$ 246,135</u>	<u>\$ 192,761</u>

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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
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Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Organization

The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City). Only the accounts of the Port are included in these financial statements. There are no component units that should be considered for inclusion in the Port's financial reporting entity. A five-member Port Commission is responsible for the organization's operation, development, and maintenance. Commission members are appointed by the Mayor and confirmed by the Board of Supervisors for fixed terms of four years. The Port is a department of the City, and the accompanying financial statements are included in the City's basic financial statements.

Prior to February 1969, the Port was owned and administered by a state agency, the San Francisco Port Authority. In February 1969, the State of California (State) transferred the Port in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters in November 1968. Under the terms of the Burton Act, the State Legislature reserves the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities. Substantially all of the Port's property rental customers are located within the boundaries of the City. Port revenues are held in a separate fund (Harbor Fund) and are appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, these revenues may be spent only for uses and purposes of the public trust.

2. Significant Accounting Policies

Basis of Accounting

The Port's financial statements are prepared using the economic resources measurement focus and the accrual basis in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred. The statement of net position presents the residual difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as the net position. Net position is reported in three broad components, as applicable – net investment in capital assets; restricted; and unrestricted. Under the all-inclusive approach to presenting the changes in net position, all Port revenues, including capital contributions, are reported in the statement of revenues, expenses and changes in net position.

Cash Equivalents

The Port considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Port's cash and investments in the City Treasury are, in substance, demand deposits and are considered cash equivalents.

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2. Significant Accounting Policies (Continued)

Restricted Net Position

Restricted net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. A liability relates to restricted assets if the asset results from a resource flow that also results in recognition of a liability or if the liability will be liquidated with the restricted assets reported. Assets are considered restricted when constraints on consumption or use are imposed by third parties or enabling legislation.

Operating Revenues and Expenses

The Port distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from real estate leasing, maritime and other principal ongoing activities of the Port's normal business operations. Real estate revenues consist principally of rentals of Port property to industrial, commercial, retail, office and other business enterprises. Parking revenues include parking lot operations, metered on-street parking and parking fine revenue. Maritime revenues are derived from vessel operations, warehousing, harbor services and other maritime activities. Vessel operations include roll-on/roll-off ships for automobiles, dry, liquid bulk, and break-bulk cargoes, cruise, and other berthing. Other operating revenues include building permit and inspections fees. Operating expenses include facility maintenance, the cost of operations, administrative expenses, and depreciation and amortization on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Minimum base rental revenue is recognized on the straight-line basis over related lease terms. Most term leases provide rents to be payable to the Port in equal monthly installments on the first day of each month until the termination of the lease. Contingent rentals are recorded or accrued only for periods in which thresholds for gross sales or revenues are met by the tenant. Use fees are recorded when the fee is earned, based on actual occupancy or use. Use fees are assessed by a measuring unit (e.g. lineal feet of the vessel for dockage) or measured time (e.g. per twenty-four-hour day). Maritime activity or use fees may be based on a standardized tariff schedule or covered by specific contractual agreements.

Capital Contributions

The Port, at various times, receives federal and state grants, proceeds from City general obligation bonds, and other funds from external sources for the construction of waterfront facilities and improvements. The funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

Special Item

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The Port received South Beach Harbor (SBH) operations and assets from the Office of Community Investment and Infrastructure (OCII) on May 1, 2019. This transaction qualifies as a special item since this action was under the control of the Port's and OCII's Commissioners and met the criteria of infrequency (see Note 13).

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Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019**

6. Capital Assets

A summary of changes in capital assets for years ended June 30, 2020 and 2019 are as follows (in thousands):

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets, not being depreciated/amortized:				
Land	\$ 103,981	\$ -	\$ -	\$ 103,981
Construction in progress	28,768	22,061	15,552	35,277
Total capital assets, not being depreciated/ amortized	132,749	22,061	15,552	139,258
Capital assets, being depreciated/amortized:				
Facilities and improvements	635,755	14,893	2,398	648,250
Machinery and equipment	29,314	1,283	435	30,162
Intangible assets	2,264	-	-	2,264
Dredging	12,025	1,891	-	13,916
Infrastructure	30,682	-	-	30,682
Total capital assets, being depreciated/ amortized	710,040	18,067	2,833	725,274
Less accumulated depreciation/amortization for:				
Facilities and improvements	333,200	19,150	1,704	350,646
Machinery and equipment	17,690	1,504	435	18,759
Intangible assets	2,266	-	2	2,264
Dredging	9,728	4,289	-	14,017
Infrastructure	15,633	1,436	-	17,069
Total accumulated depreciation/amortization	378,517	26,379	2,141	402,755
Total capital assets, being depreciated/amortized, net	331,523	(8,312)	692	322,519
Capital assets, net	<u>\$ 464,272</u>	<u>\$ 13,749</u>	<u>\$ 16,244</u>	<u>\$ 461,777</u>

On May 23, 2020, a four-alarm fire destroyed parts of Pier 45, including the Shed C warehouse, resulting in a write down of net capital assets in the amount of \$692,000. The Port recovered \$6,100,000 from its insurance policies and incurred \$2,027,000 in clean-up and other costs resulting in a \$3,381,000 gain from insurance settlement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

6. Capital Assets (Continued)

	Balance July 1, 2018	Increases	Decreases	Receipt of operations South Beach Harbor (Note 13)	Balance June 30, 2019
Capital assets, not being depreciated/amortized:					
Land	\$ 104,169	\$ -	\$ 188	\$ -	\$ 103,981
Construction in progress	26,211	32,955	30,398	-	28,768
Total capital assets, not being depreciated/ amortized	130,380	32,955	30,586	-	132,749
Capital assets, being depreciated/amortized:					
Facilities and improvements	590,459	25,330	-	19,966	635,755
Machinery and equipment	25,834	3,948	468	-	29,314
Intangible assets	2,264	-	-	-	2,264
Dredging	9,460	2,565	-	-	12,025
Waterfront Land Use Plan	2,795	-	2,795	-	-
Infrastructure	30,682	-	-	-	30,682
Total capital assets, being depreciated/ amortized	661,494	31,843	3,263	19,966	710,040
Less accumulated depreciation/amortization for:					
Facilities and improvements	315,126	18,074	-	-	333,200
Machinery and equipment	16,739	1,419	468	-	17,690
Intangible assets	2,234	32	-	-	2,266
Dredging	6,081	3,647	-	-	9,728
Waterfront Land Use Plan	2,795	-	2,795	-	-
Infrastructure	14,197	1,436	-	-	15,633
Total accumulated depreciation/amortization	357,172	24,608	3,263	-	378,517
Total capital assets, being depreciated/amortized, net	304,322	7,235	-	19,966	331,523
Capital assets, net	\$ 434,702	\$ 40,190	\$ 30,586	\$ 19,966	\$ 464,272

The Pier 70 Mixed-Use District Project is a development on the Port's central and southern waterfront areas. In October 2017, the Port executed a disposition and development agreement (DDA) with the Pier 70 developer. Under the terms of the DDA, the Port agreed to sell Parcel K North (PKN), a Port-owned parcel free from the public trust restrictions, to the developer. On February 13, 2019, the Port sold PKN to a developer in exchange for a promissory note of \$24,230,000. However, the execution of the promissory note and the resulting gain on the sale of PKN was contingent on the pending formation of the Pier 70 Community Facility Districts completed in fiscal year 2020 (see Note 7). Accordingly, the Port wrote off the book value of the parcel and recognized a loss on disposal of \$188,000 in fiscal year 2019. The Port also contributed \$6,500,000 to the Pier 70 development area to fund early-stage development costs in fiscal year 2019 in exchange for a promissory note pending the formation of the Pier 70 Community Facility Districts completed in fiscal year 2020 (see Note 7).

Facilities and improvements include pier substructures, which have an estimated useful life greater than 50 years. The cost of such long-lived assets totaled \$21,915,000 as of June 30, 2020 and 2019. Total interest expense was \$4,085,000 and \$4,398,000 for fiscal years 2020 and 2019, of which \$22,000 and \$64,000 was capitalized, respectively.