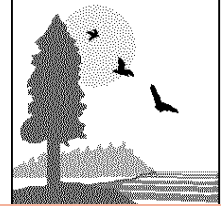


DUE OCTOBER 1

Pursuant to Public
Resources Code § 6306

Granted Public Trust Lands Standardized Reporting Form



Fiscal/Calendar Year: Fiscal 2012-2013

Grantee Name: San Francisco Port District
Contact Person: Elaine Forbes
Contact Phone: 415-274-0445
Mailing Address: Port of San Francisco
Pier 1, The Embarcadero
San Francisco, California 94111

1. Funds

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

YES NO

If "No", under what fund are they accounted for? If "Yes," please list the name(s) of the fund(s)

Port of San Francisco, an enterprise fund of the City and County of San Francisco

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

YES NO

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

Port Commission, City and County of San Francisco (dba Port of San Francisco)

2. Revenue

- a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year? Total revenues \$113,133,000 (page 4); operating revenues \$81,512,000 (pages 4 and 21)

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

See income statement (page 21) and operating revenues description within Note 2 (page 26).

3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year? Total expenses \$85,443,000 (page 4); operating expense \$79,982,000 (pages 4 and 21)

- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended. See income statement for operating and nonoperating expenses (page 21) and statement of cash flows (pages 22-23)

- 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?

Yes, capital asset changes for fiscal 2012-2013 are summarized in Note 6 (page 32). Yes, capital improvements over \$250,000 will occur 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 another entity or under the management of another political subdivision of the grantee per an agreement, settlement, or Memorandum of Understanding.

No disposition of trust lands. Related party transactions with the City are highlighted in Note 14 (pages 43-44).

4. Beginning and Ending Balance

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

Net Position beginning balance was \$335,476,000 and ending balance was \$363,166,000 (pages 4, 19 and 21)

For all questions, please give the page number where the information can be found in your accompanying financial document. Please use additional pages as necessary.

January 8, 2014

Granted Lands
California State Lands Commission
100 Howe Ave, Suite 100 South
Sacramento, CA 95825

Dear Granted Lands:

Enclosed for your information are the Financial Statements and Independent Auditor's Report for the Port of San Francisco for the fiscal years ended June 30, 2012 and 2013. The Port reported an increase in its net assets of \$ 27.7 million for the fiscal year ended June 30, 2013. The primary reason for this change is that significant capital investments were made last year.

Revenue bond coverage on the Port Commission's 2010 Revenue Bonds was 6.14x for fiscal year 2012 and 6.54x for fiscal year 2013, computed as follows:

<i>(\$ in Thousands)</i>	Fiscal Year Ended	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Revenues		
Maritime	\$14,992	14,861
Real Estate & Asset Management	60,471	61,388
Interest Income ¹	1,084	848
Other Revenue	<u>1,771</u>	<u>5,263</u>
Total Revenues	\$78,318	\$82,360
Operations & Maintenance Expense ²	(\$60,856)	(\$63,760)
Net Revenues	\$17,462	\$18,600
Debt Service	\$2,845	\$2,846
Debt Service Coverage Ratio	6.14x	6.54x

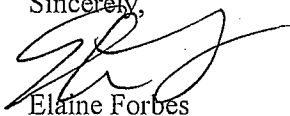
1. Interest income from funds on deposit with the City Treasury plus late charges from tenants.

2. Operations & maintenance expense excludes non-cash OPEB expenses pursuant to the bond indenture which took effect with the issuance of the 2010 Port revenue bonds.

For the fiscal year ended June 30, 2013, operating revenues across all revenue types were strong and stable. The net result was that operating revenues for the year ended June 30, 2013 increased \$4.3 million or 5.5% compared to the year ended June 30, 2012. Other Revenues were higher in 2013 due to a \$1.9 million increase in fees and expense recoveries received from developers in connection with contract negotiations during the entitlement period for future development projects and a \$1.3 million payment in lieu of rent received from the City pursuant to an MOU in which the City agreed to compensate the Port for certain lost rents resulting from the 34th America's Cup races.

If you have any questions about the financial statements, please contact Lawrence Brown at (415) 274-0446.

Sincerely,



Elaine Forbes
Director, Finance and Administration

JAN 13 2014

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2013 and 2012

Condensed Financial Information – Port of San Francisco

Comparative Net Position (in thousands)

	June 30,			2013-2012 Change	2012-2011 Change
	2013	2012	2011		
Current and other assets	\$136,343	\$158,553	\$157,489	\$ (22,210)	\$ 1,064
Capital assets	409,032	294,718	263,834	114,314	30,884
Total assets	<u>545,375</u>	<u>453,271</u>	<u>421,323</u>	<u>92,104</u>	<u>31,948</u>
Current liabilities	61,249	35,938	20,378	25,311	15,560
Noncurrent liabilities	120,960	81,857	91,438	39,103	(9,581)
Total liabilities	<u>182,209</u>	<u>117,795</u>	<u>111,816</u>	<u>64,414</u>	<u>5,979</u>
Net position:					
Net investment in capital assets	319,829	257,919	241,647	61,910	16,272
Restricted	27,139	16,193	12,177	10,946	4,016
Unrestricted	16,198	61,364	55,683	(45,166)	5,681
Total net position	<u>\$363,166</u>	<u>\$335,476</u>	<u>\$309,507</u>	<u>\$ 27,690</u>	<u>\$ 25,969</u>

Changes in Net Position (in thousands)

	Year Ended June 30,			2013-2012 Change	2012-2011 Change
	2013	2012	2011		
Revenues:					
Operating revenues	\$ 81,512	\$ 77,260	\$ 72,266	\$ 4,252	\$ 4,994
Nonoperating revenues	5,789	11,734	2,065	(5,945)	9,669
Capital contributions	25,832	16,955	3,027	8,877	13,928
Total revenues	<u>113,133</u>	<u>105,949</u>	<u>77,358</u>	<u>7,184</u>	<u>28,591</u>
Expenses:					
Operating expenses	79,982	70,540	66,565	9,442	3,975
Nonoperating expenses	5,461	9,440	2,491	(3,979)	6,949
Total expenses	<u>85,443</u>	<u>79,980</u>	<u>69,056</u>	<u>5,463</u>	<u>10,924</u>
Change in net position	27,690	25,969	8,302	1,721	17,667
Net position, beginning of the year	335,476	309,507	301,205	25,969	8,302
Net position, end of the year	<u>\$363,166</u>	<u>\$335,476</u>	<u>\$309,507</u>	<u>\$ 27,690</u>	<u>\$ 25,969</u>

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Statements of Net Position (Continued)
June 30, 2013 and 2012
(dollar amounts in thousands)

	<u>2013</u>	<u>2012</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,740	\$ 13,516
Due to General Fund (Notes 8 and 14)	26,785	-
Accrued interest payable	815	829
Accrued payroll	2,098	2,341
Accrued vacation and sick leave pay (Note 8)	1,239	1,200
Accrued workers' compensation (Notes 8 and 19)	390	425
Estimated claims payable (Notes 8, 18 and 19)	1,332	1,276
Current maturities of long-term obligations (Note 8)	840	805
Current portion of loan from City department (including accrued interest payable of \$14 and \$8, respectively) (Notes 8 and 14)	242	195
Pollution remediation obligation (Notes 8 and 18)	163	116
Other liabilities (Notes 8 and 18)	4,898	6,516
Unearned revenues	2,575	1,667
Lessee and other deposits	7,132	7,052
Total current liabilities	<u>61,249</u>	<u>35,938</u>
Noncurrent liabilities:		
Accrued vacation and sick leave pay (Note 8)	1,091	1,114
Accrued workers' compensation (Notes 8 and 19)	2,325	2,372
Estimated claims payable (Notes 8, 18 and 19)	350	350
Long-term obligations - net of current maturities (Note 8)	36,325	37,157
Loan from City department, net of current portion (Notes 8 and 14)	276	128
Pollution remediation obligation (Notes 8 and 18)	10,670	13,480
Other postemployment benefits obligation (Notes 8 and 12)	16,056	13,390
Other liabilities	411	3,480
Deferred credits	53,456	10,386
Total noncurrent liabilities	<u>120,960</u>	<u>81,857</u>
Total liabilities	<u>182,209</u>	<u>117,795</u>
 Net position		
Net investment in capital assets	319,829	257,919
Restricted for capital projects	27,139	16,193
Unrestricted	16,198	61,364
Total net position	<u>\$ 363,166</u>	<u>\$ 335,476</u>

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, 2013 and 2012
(dollar amounts in thousands)

	2013	2012
Operating revenues (Note 9):		
Commercial and industrial	\$ 43,266	\$ 42,883
Parking	17,774	17,159
Cargo	4,886	5,442
Fishing	2,012	2,024
Cruise	2,825	2,266
Harbor services	2,018	1,964
Ship repair	1,553	1,706
Other maritime	1,556	1,517
Other	5,622	2,299
Total operating revenues	81,512	77,260
Operating expenses:		
Personal services	32,894	32,318
Contractual services	6,630	5,347
Utilities	2,040	2,111
Materials and supplies	1,548	1,051
Depreciation and amortization	16,367	15,070
General and administrative	3,618	3,518
Services provided by other City departments (Note 14)	17,221	16,395
Pollution remediation (Note 18)	(2,810)	(8,050)
Other	2,474	2,780
Total operating expenses	79,982	70,540
Operating income	1,530	6,720
Nonoperating revenues (expenses):		
Interest and investment income	24	2,559
Operating grants	1,469	4,675
Gain from fire insurance settlement (Note 16)	4,296	4,500
Disposition of Drydock #1 (Note 18)	1,800	(1,000)
Other asset disposition expenses	(5,821)	(6,673)
Interest expense	(1,440)	(1,767)
Total net nonoperating revenues (expenses)	328	2,294
Change in net position before capital contributions	1,858	9,014
Capital contributions -		
Grants from government agencies and other contributions	25,832	16,955
Change in net position	27,690	25,969
Net position, beginning of the year	335,476	309,507
Net position, end of the year	\$ 363,166	\$ 335,476

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 Cash Flows
For the Years Ended June 30, 2013 and 2012
(dollar amounts in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from tenants for rent	\$ 63,886	\$ 62,406
Cash received from customers and others	15,126	12,065
Deposits received from tenants and customers	656	660
Cash paid to employees for services	(30,471)	(29,016)
Cash paid to suppliers for goods and services	(15,550)	(13,935)
Cash paid to City for services	(17,249)	(16,434)
Customer deposits returned	(583)	(676)
Net cash provided by operating activities	<u>15,815</u>	<u>15,070</u>
Cash flows from noncapital financing activities:		
Insurance proceeds	4,296	-
Operating grants	2,329	654
Net cash provided by noncapital financing activities	<u>6,625</u>	<u>654</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of facilities and equipment	(82,597)	(32,425)
Demolition and other dispositions	(4,827)	-
Dredging	(3,175)	(5,428)
Payments of long-term debt	(1,033)	(957)
Interest payments on long-term debt	(2,334)	(2,316)
Advances received from City commercial paper program	26,785	-
Capital contribution from City - proceeds from Parks Bond	18,255	10,395
Capital contribution from City for cruise terminal project	4,900	-
Insurance proceeds	3,520	-
Capital grants received	6,650	831
Other capital contributions	565	550
Loan from Public Utilities Commission for HVAC project	417	-
Proceeds from sale of equipment and materials	9	25
Net cash used in capital and related financing activities	<u>(32,865)</u>	<u>(29,325)</u>
Cash flows from investing activities:		
Interest and investment income	77	2,476
Net cash provided by investing activities	<u>77</u>	<u>2,476</u>
Change in cash and cash equivalents	(10,348)	(11,125)
Cash and cash equivalents, beginning of year	136,798	147,923
Cash and cash equivalents, end of year	<u>\$ 126,450</u>	<u>\$ 136,798</u>

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 Cash Flows (Continued)
For the Years Ended June 30, 2013 and 2012
(dollar amounts in thousands)

	2013		2012
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,530	\$	6,720
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	16,367		15,070
Change in allowance for doubtful accounts	(295)		(1,406)
Net effects of (increase) decrease in:			
Receivables	656		(561)
Tenant deposits held outside City Treasury	(2)		4
Materials and supplies	(160)		51
Prepaid charges, advances and other assets	(126)		196
Due from City General Fund	274		(274)
Net effects of increase (decrease) in:			
Accounts payable and accrued expenses	(80)		1,991
Accrued payroll	(243)		618
Accrued vacation and sick leave payable	16		168
Accrued workers' compensation	(82)		1
Estimated claims payable	56		300
Pollution remediation obligations	(2,763)		(8,188)
Other postemployment benefits obligation	2,666		2,684
Deferred credits and other liabilities	(1,999)		(2,304)
Net cash provided by operating activities	\$ 15,815	\$	15,070
Noncash capital and related financing activities:			
Acquisition of capital assets in accounts payable and accrued expenses	\$ 8,484	\$	9,180
Tenant improvements financed by rent credits	45,670		-
Accrued capitalized interest	305		559
Accrued fire insurance settlement, net of related liabilities	-		4,500
In-kind contribution for pier demolition	22		4,100
Change in estimate of the disposition of Drydock #1	1,800		(1,000)
Accrued proceeds from sale of asset	-		(3)
Reduce advance payment for pier demolition	3		(1,963)
Abandoned capital improvement projects	-		(389)
Amortization of bond discount/issue cost	(26)		(27)
Reconciliation of cash and equivalents to the statement of net position:			
Cash and investments held in City Treasury			
Unrestricted	\$ 80,366	\$	92,408
Restricted	43,234		41,534
Cash held outside City Treasury			
Unrestricted	5		5
Restricted	3,258		3,262
Cash and equivalents	126,863		137,209
Less: Investment outside of City Treasury not meeting the definition of cash equivalents	(413)		(411)
Total cash and cash equivalents	\$ 126,450	\$	136,798

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

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2013 and 2012**

2. Significant Accounting Policies (Continued)

Capital Assets (continued)

Depreciation expense is calculated using the straight-line method over the following estimated useful lives of the assets:

Facilities and improvements	5 to 65 years
Machinery and equipment	2 to 20 years
Infrastructure	15 to 40 years

Tenant improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the related lease. Maintenance and repairs are expensed as incurred. Dredging costs are amortized using the straight-line method over the estimated useful period ranging from one to seven years. The Port's Waterfront Land Use Plan was approved by the City Board of Supervisors in September 1997. The costs of the plan are amortized using the straight-line method over an estimated life of 20 years.

Bond Issuance Costs and Discounts

Bond issue costs are amortized using the straight-line method over the life of the bond. Original bond issue discounts are offset against the related debt and amortized using the straight-line method, which approximates the effective interest method over the life of the bonds.

Deferred Credits

Deferred credits consist primarily of rent credits issued to tenants. Rent credits are recognized in accordance with the lease agreements.

Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

Restricted Net Position

Restricted net position, as defined in GASB Statement No. 63, consists of restricted assets 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

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2013 and 2012

12. Other Postemployment Benefits (OPEB) (Continued)

Proposition B is expected to reduce the number of people who would eventually have been eligible for paid benefits and create significant savings for the City as investment earnings in the trust will help pay for the cost of the benefits going forward. By 2031 the majority of employees will be under the new benefit plan, and based on the City's actuarial analysis, the proposed funding of 3% of salary is estimated to be sufficient to cover the cost of the benefits on an ongoing basis. Proposition B is also expected to partially reduce the financial impact on the City in meeting its current unfunded OPEB liability.

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

13. Redevelopment Agency

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 of 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 held leasehold interests to certain Port properties. Prior to AB1484, it was planned for the Port to resume management and control on July 1, 2012 of its property, including the leasehold improvements completed by the Agency. The Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, anticipate completing, in fiscal 2013-2014, a memorandum of agreement covering the termination of Port agreements and providing for the transfer of certain assets and operations of the Rincon Point South Beach Project to the Port.

14. Related Party Transactions

The Port receives services from, and provides services to, various City departments that are categorized in the various operating expense line items in the statements of revenues, expenses and changes in net position. The Port continues to evaluate its payments to the City's General Fund and various City departments for services that support activities within the Port area and refine the methodologies used for the allocation of City direct and indirect costs. In 2013, the \$17,221,000 in services provided by other City departments included \$1,787,000 of insurance premiums and \$809,000 in workers' compensation expense. In 2012, the \$16,395,000 in services provided by other City departments included \$1,703,000 of insurance premiums and \$537,000 in workers' compensation expense.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
Notes to Financial Statements
For the Years Ended June 30, 2013 and 2012

14. Related Party Transactions (continued)

Services provided by City departments include: fireboat operations and maintenance from the Fire Department, legal and litigation-related services from the City Attorney's Office, street cleaning, direct and contractual services from the Department of Public Works, services provided by the City Purchaser, contract compliance review services by the City Administrator's Contract Monitoring Division, security services from the Police Department, risk management consulting services through the City Risk Manager, supplemental plan check services from the Department of Building Inspection, parking meter system maintenance and collection services from and through the San Francisco Municipal Transportation Agency, communications and network services from the Department of Technology and real estate services from the Department of Real Estate. Charges for electrical service provided by the SFPUC, included in utilities on the statements of revenues, expenses and changes in net position, were \$1,205,000 and \$1,227,000 in 2013 and 2012, respectively.

Rental revenues from City departments included in operating revenues were approximately \$3,567,000 and \$4,719,000 in 2013 and 2012, respectively. In connection with a memorandum of understanding, the General Fund reimbursed the Port \$1,310,000 for certain lost revenues (payment in lieu of rents) during the America's Cup events. The General Fund also contributed \$4,900,000 towards the construction of the cruise terminal project at Pier 27.

At June 30, 2013, the Due to General Fund of \$26,785,000 represents the total amounts advanced to the Port from the City's commercial paper program (Note 8). At June 30, 2013, the Due from Other City Funds of \$435,000 is for a capital project reimbursement due from the San Francisco County Transportation Authority and, at June 30, 2012, the Due from Other City Funds of \$274,000 is a reimbursement due from the General Fund for certain 34th America's Cup costs.

In November 2012, the City voters passed Proposition B, approving a \$195 million General Obligation Bond known as the 2012 San Francisco Clean and Safe Neighborhood Parks Bond. After deductions for issue costs, this bond allocates \$34.5 million for parks and open spaces on Port property and, in June 2013, the Port received \$18.3 million from the first sale. Previously in February 2008, the City voters approved an earlier bond issue for park and open space projects that included \$33.5 million for waterfront projects. From the 2008 bond, the Port received proceeds of \$10.4 million in 2012, \$10.6 million in 2010 and \$3.6 million in 2009. Since these bonds are a citywide obligation, the proceeds received by the Port are recorded as capital contributions.

Pursuant to a memorandum of understanding (MOU), the SFPUC advanced funds to provide for the design and construction of certain energy efficiency projects at identified Port facilities (Note 8). It is anticipated that retrofit costs will be recovered through future energy cost savings. The Port is committed to repay such advances over a four year period after project completion with interest at 3.5% per annum.

In 2012, the Port and the SFPUC entered into an MOU to facilitate the installation of a shoreside power system at the Pier 70 ship repair facility. Among other things, the SFPUC committed to provide the Port a project rebate of \$1.5 million, or a pro-rata amount, based on a pre-established threshold for metered electricity consumption by the shoreside power system during the first ten years of operation. The realizable or earned rebate amount is not reasonably estimable and no accrued revenue has been recorded as of June 30, 2013.