

Introduction

On July 15, 2003, the Board of Supervisors adopted Motion M03-15 directing the Budget Analyst to perform a management audit of the Port of San Francisco on a priority basis, pursuant to the Board of Supervisors powers of inquiry defined in Charter Section 16.114.

Purpose and Scope

The purpose of this management audit has been to evaluate the economy, efficiency and effectiveness of the Port's programs, activities, and functions and the Port's compliance with applicable State and Federal laws, local ordinances, and City policies and procedures. The management audit also assessed the appropriateness of established goals and objectives, strategies and plans to accomplish such goals and objectives, the degree to which such goals and objectives are being accomplished, and the appropriateness of controls established to provide reasonable assurance that such goals and objectives will be accomplished. The scope of the management audit included all of the Port's programs, activities, and functions. In that regard, the management audit included a review of all the divisions within the Port:

- Maritime,
- Real Estate,
- Planning and Development,
- Administrative Services,
- Engineering and Maintenance, and
- the Executive Office

Audit Methodology

The management audit was conducted in accordance with *Governmental Auditing Standards, 2003 Revision*, issued by the Comptroller General of the United States, U.S. General Accounting Office. In accordance with these requirements and standard management audit practices, we performed the following management audit procedures:

- An entrance conference was held with the Executive Director and key members of the Port's management staff to present the audit work plan, discuss audit procedures and protocol, request certain background information, and respond to questions.
- A pre-audit survey was conducted to familiarize the management audit staff with the operations and records maintained by the Port's various departments and divisions and to identify areas requiring additional review. As part of this survey phase, interviews were held with executive and management staff throughout the organization.

- Fieldwork was conducted to develop a more detailed understanding of selected departmental operations. Fieldwork activities included additional interviews with selected managers, supervisors and line staff, representatives from other City and County departments, Port tenants, advisory committees, and other parties vested in the Port. Additionally, the management audit staff reviewed the Burton Act and the agreement relating to the transfer of the Port of San Francisco to the City and County of San Francisco, the Waterfront Land Use Plan, and various State statutes and local codes; examined various documents, reports and work products prepared by the Port; reviewed the Port's audited financial statements, including management letters prepared by the independent auditors; obtained and analyzed various data and financial reports, contracts, and tenant agreements; and evaluated the effectiveness of the various tools used by Port management to oversee the activities of the organization.
- A draft report was prepared based on analysis of the information and data collected during previous audit phases. This draft contained our initial findings, conclusions and recommendations. The draft audit report was submitted to the Executive Director for review and comment on April 8, 2004.
- Following delivery of the draft report, performance audit staff met with management staff on April 15, 2004 to discuss the draft report and an exit conference was held on April 20, 2004 with the Executive Director. During the period between delivery of the draft report and the exit conference, the Port was able to request clarification of findings and recommendations and provided additional information related to the findings. Based on the additional information provided, a final report was prepared. The Port then provided a written response to the final report, and the final report and response was delivered to the Board of Supervisors on April 26, 2004.

Overview of the Port of San Francisco

The Port and the Public Trust

The San Francisco Port Commission is responsible for promoting maritime commerce, navigation, and fisheries, restoring the environment, and providing public recreation along 7 ½ miles of San Francisco Bay shoreline from Hyde Street Pier in the north to India Basin in the south.

Port property consists of tidelands, which are held in “public trust” for all Californians. The State of California granted title to Port properties to the City and County of San Francisco under the 1968 Burton Act. However, the State Legislature can terminate the grants and reassert State authority for Port properties at any time. The State Lands Commission, which is made up of the Lieutenant Governor, the State Controller, and the State Director of Finance, has oversight over local public trust grantees. The City and County of San Francisco is restricted in the possible uses of Port properties, and under the Burton Act and the Public Trust Doctrine must use Port properties primarily for maritime commerce, navigation, fisheries, public recreation, and conservation of natural resources.

Hotel and retail development, such as Pier 39 are permitted under the Public Trust Doctrine but development for purely private purposes, such as housing or office use, are permitted only by State Legislature action or in limited exceptions under the Public Trust Doctrine. The State Legislature can authorize certain private uses of trust properties and the trust grantee can allow some non-trust uses that are incidental to an associated trust use. For example, the State authorized the Port to approve development of Piers 30 and 32 to include some general office use, which is incidental to the development of the Cruise Terminal to be constructed on Piers 30 and 32. Also, the State Lands Commission has agreed that limited non-trust use may be included in mixed-use projects that preserve designated historical landmark buildings with significant historical maritime importance. The State Lands Commission and State Attorney General approved development of Pier One, which includes the Port's offices and other private offices, because the Pier One project rehabilitated the nationally designated historic landmark building.

The Burton Act and Public Trust Doctrine also restrict the use and expenditure of Port revenue to public trust purposes. Port funds must be segregated and accounted for independently from other City funds and a financial audit statement must be filed with the State Department of Finance annually.

Development of the Waterfront Land Use Plan

San Francisco voters approved Proposition H in November of 1990, which required the preparation of the Waterfront Land Use Plan, identifying acceptable and unacceptable uses on Port property. Also, Proposition H prohibited the construction of hotels on the Port's piers. After the passage of Proposition H, the Port began a land use planning process, which culminated in the adoption of the Waterfront Land Use Plan in 1997. The Waterfront Land Use Plan lays out the Port's general land use policies.

Permitted Uses of Port Property

Under the Waterfront Land Use Plan, acceptable uses of Port properties, within 100 feet of the shore, include:

- Maritime uses, such as cargo shipping, fishing, passenger cruises, ship repair, ferries and excursion boats, historic ships and recreational boating;
- Open spaces and public access, which include not only parks and the "Port Walk" along the Embarcadero, but construction of public restrooms, information kiosks, and small-scale retail convenience stores;
- Commercial uses, including entertainment, recreation, museums, restaurants and retail, and some types of warehouse and office uses.

The Waterfront Land Use Plan also permits development of housing, hotel, and office space on the Port's inland property, known as seawall lots, but prohibits housing and hotel development on the piers. Other uses, including academic institutions,

transportation services, community facilities, power plants, and sports facilities are allowed on a limited basis on specific sites.

The Waterfront Land Use Plan allows some interim uses on Port properties in order to generate revenues for the Port's capital and operating needs. For Port properties north of China Basin, the Waterfront Land Use Plan allows leases of five to ten years for some commercial business activities or open air activities, such as carnival tents and converted rail cars. In the area south of China Basin, the Waterfront Land Use Plan allows leases of up to ten years or, in some instances, up to 20 to 30 years for general warehousing or open air uses not requiring large capital improvements, such as cement batching plants.

Prohibited Uses of Port Property

The Waterfront Land Use Plan prohibits specific non-maritime uses on Port properties within 100 feet of the shoreline, including:

- Non-maritime private clubs;
- Housing;
- Public parking garages that are not required for new development;
- Adult entertainment;
- Non-marine animal services;
- Mortuaries;
- Heliports, except for landings for emergency or medical services;
- Oil refineries;
- Hotels, except on the seawall lots; and
- Mini-storage warehouses.

Planning Areas

The Waterfront Land Use Plan divided the Port into five sub-area plans, establishing objectives and standards for development in each of the sub-areas, and defining acceptable land uses. The five sub-areas are:

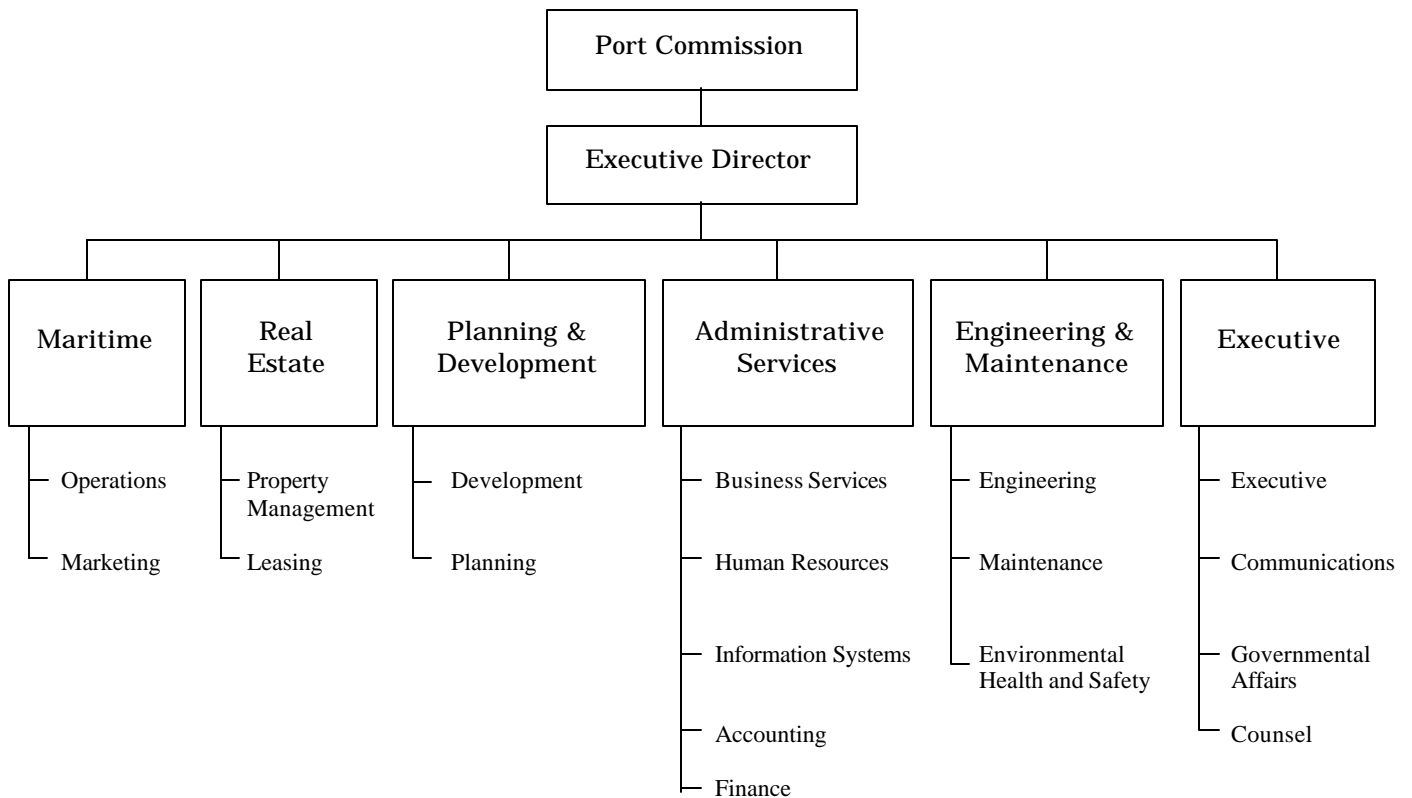
- Fisherman's Wharf Waterfront. According to the Waterfront Land Use Plan, the priority for Fisherman's Wharf is to "re-invigorate the fishing industry, which is the heart of Fisherman's Wharf." Under the Waterfront Land Use Plan, the Port proposed to promote fishing operations and visitor-serving activities, including public access, retail, and visiting ships.

- **Northeast Waterfront.** Because the Waterfront Land Use Plan anticipated consolidation of cargo activities on the Southern Waterfront, the Plan promotes mixed-use pier activity on the Northeast Waterfront, including commercial recreation, such as excursion boats, cruise ships or other maritime uses, and public access.
- **Ferry Building Waterfront.** The Ferry Building Waterfront extends from Pier 5 to Rincon Park, and under the Waterfront Land Use Plan, includes restoration of the Ferry Building, Piers 1 through 5 historic sheds, bulkheads and connecting structures, and the Agriculture Building, which are listed on or nominated for the National Register of Historic Places.
- **South Beach and China Basin Waterfront.** The Waterfront Land Use Plan promotes development of these Port properties to include the Ball Park and small-scale activities, such as a public boat launch and café, and larger-scale waterfront activity, such as the cruise terminal.
- **Southern Waterfront.** Under the Waterfront Land Use Plan, the Southern Waterfront would concentrate the Port's existing cargo and maritime activities and reserve 97 new acres for further long-term maritime expansion.

Functional Organization of Port Operations

The Port is currently organized into five functional divisions, each headed by a Deputy Director, and an executive unit. The following organization chart provides the structure of Port operations:

Exhibit I
Port of San Francisco
Organization Chart as of March 2004



A brief description of the divisions as provided in the Port’s Annual Operating Budget is presented below:

Maritime

The Maritime Division is responsible for supporting and enhancing a diversity of maritime industries, including cargo, cruise, ship repair, commercial/sport fishing, and passenger ferry services. This includes promoting Port maritime facilities to potential customers as well as maintaining relationships with existing customers. This Division is also responsible for cargo and cruise terminal operations, Fisherman’s Wharf and Hyde Street harbors, harbor services including tugboat operators, bar pilots and other ship service providers.

Real Estate

The Real Estate Division is responsible for leasing and asset/property management of Port real estate.

Planning and Development

Planning and Development is responsible for comprehensive planning efforts that provide a financially viable and implementable framework for facility use, land use, and development; for management of commercial, recreational, industrial, maritime, and mixed-use public/private venture development projects; for management of public projects during initial planning stages; and for successful permitting and timely completion of projects.

Administrative Services

The Administrative Services Division is responsible for the management of Port support services, which includes the Human Resources, Accounting, Finance, Information Systems, and Business Services units.

Human Resources administration includes labor and employee relations, staff development and training programs, position classification, EEO programs, outreach recruitment, competitive selection procedures for Port positions, hiring, in-service personnel programs, payroll administration, performance evaluation, discipline and separation of employees, and contract oversight.

Accounting includes accounts payable, general ledger, accounts receivable, revenue and billing; produces financial reports including financial statements and capital project and grant status reports; and manages the annual independent audit and tenant audits.

Finance includes budget, capital planning, forecasting, financing, debt management, financial analysis and risk management. The unit prepares the Port's annual budget and compiles and prepares the annual capital plan; provides quarterly budget variance reports; prepares quarterly financial statement forecasts for senior managers; issues and manages debt; prepares financial feasibility analysis for development projects, reviews developers' financial qualifications and financing plans, and helps negotiate finance and revenue related business terms for new development projects.

Information Systems includes administration, maintenance and enhancement of the Port's information technology equipment, local area network, and all software executing on that network including such applications as Oracle Public Sector Financials, payroll, property management and billing, facility maintenance management, and office automation software such as word processing, spreadsheets, database management and so forth, and access to both the Port Intranet and the Internet. The Information Systems unit is responsible for the development and maintenance of the Strategic Information Systems Plan and interface to the City and County of San Francisco's citywide information systems, such as FAMIS. Additionally, the unit is responsible for the telephone system.

Finally, the Business Services unit includes purchasing, materials management, mail service, receptionist service, administration of pool vehicles, and management of Port offices at Pier One.

Engineering and Maintenance

The Engineering and Maintenance Division is responsible for engineering, construction, and maintenance of Port facilities including piers, structures, buildings, cranes, public areas, streets and walkways; issuing building permits for all properties under the Port's jurisdiction; and the development and implementation of Port-wide environmental, health and safety programs, ensuring the Port's compliance with environmental regulations, supporting other division teams in activities involving environmental and safety issues, and administering Workers' Compensation claims.

Executive

The Executive Division is responsible for implementing the policies and directives of the Port Commission; providing general policy direction and decision making for staff; developing and pursuing business opportunities; enhancing tenant and customer relations; providing the public access and participation; and soliciting legal advice and communicating advice to the Commission and the staff.

The Executive Division includes Communications, which is responsible for building public awareness, generating positive publicity and marketing opportunities for the Port, and enhancing communications among staff. This Division also includes Governmental Affairs, which is responsible for representing the Port's interests before legislative, public and private groups, the community, and civic and professional organizations, and monitoring legislative and regulatory proposals affecting the Port maritime and commercial industries.

Financing Port Activities

The Port of San Francisco is a business enterprise with two main business lines: maritime activities and real estate property management and development. As the Port's significance as a cargo port recedes, the Port's non-cargo maritime and real estate activities have become more important. Most large container shipping has moved to the Port of Oakland and other ports along the western coast of the United States. The Port includes growth in maritime activities among its strategic goals and the Port's revenues from small and medium container shipping and other maritime activities have continued to grow. However, the Port's revenues from real estate activities make up approximately 72.5 percent of total revenues.

Both maritime and real estate revenues have grown over the past five fiscal years. The Port, though, has not adequately controlled its expenditure growth, and the Port's operating expenditures have grown at a dramatically faster rate than the Port's revenues. As discussed in Section 1, Table 1.1, between FY 1998-1999 and FY 2003-2004, the Port's expenditures for routine operations and facilities maintenance have increased by

38 percent although the Port's revenues have only increased by 15 percent. This equals 6.4 percent average annual expenditure growth compared to 2.5 percent average annual revenue growth.

As a business enterprise, the Port relies upon its revenues to meet both its operating and capital needs. Because operating costs have grown more rapidly than revenue, the Port is unable to increase expenditures to maintain and improve its capital assets.

The Port's Revenues

The Port's revenues derive entirely from Port activities. Over the past two decades much of the Port's break-bulk cargo, ship building and repair, and maritime support facilities activities have declined in importance and have been replaced by other maritime activities and non-maritime uses of Port properties. The Port's management and development of its real estate properties have become the main source of revenue for the Port. As noted in Table 1, the Port derives 72.5 percent of its revenues from real estate management and development and 21.1 percent of its revenues from maritime activities.

Table 1

**San Francisco Port's Revenues
FY 1998-1999 through FY 2002-2003**

	FY 1998-1999	FY 1999-2000	FY 2000-2001	FY 2001-2002	FY 2002-2003	Percent of FY 2002-2003 Total Revenues
Maritime activities	\$6,945,000	\$7,859,000	\$8,262,000	\$9,104,000	\$11,475,000	21.1%
Real estate activities	33,651,000	36,835,000	40,179,000	39,862,000	39,503,000	72.5%
Miscellaneous	2,145,000	1,335,000	1,904,000	1,528,000	3,489,000	6.4%
Total	\$42,741,000	\$46,029,000	\$50,345,000	\$50,494,000	\$54,467,000	100%

Source: San Francisco Port audited financial statements

According to the Port's audited financial statement, maritime revenues increased in FY 2002-2003 due to increases in cargo facility rents and cargo vessel revenues. The Port also received one-time miscellaneous revenues, including a \$400,000 federal security assessment grant and various one-time fees realized from maritime facility leases and major real estate development projects on Port property.

Maritime Revenues

Over the past five fiscal years, maritime revenues have comprised from 16 percent to 21 percent of the Port's total actual revenues and have gradually increased slightly from year to year. Maritime revenues are made up of cargo shipping, dry dock and ship repair services, passenger cruise ship activities, warehouse, harbor services¹, fishing, and other miscellaneous activities, as noted in Table 2.

Table 2
Maritime Revenues
FY 2002-2003

	FY 2002-2003 Revenues	As a Percent
Cargo shipping	\$5,659,000	49.3%
Fishing	1,554,000	13.5%
Ship repair and dry dock	919,000	8.0%
Harbor services	967,000	8.4%
Passenger cruise ships	963,000	8.4%
Other maritime	1,413,000	12.3%
Total	\$11,475,000	100%

Source: San Francisco Port audited financial statement

The Port does not have major container shipping facilities, but does market its services to small and medium size container carriers. As noted in Table 2, cargo shipping revenues constitute 49.3 percent of the Port's total maritime revenues in FY 2002-2003. The Port actively markets Port services to passenger cruise lines and includes the number of cruise calls annually as a performance measure. The Port's annual cruise revenues have varied significantly over the past five fiscal years, but increased approximately 39.8 percent between FY 1999-2000 and FY 2002-2003.

Revenues from Port Properties

The Port's main revenue source is rent from Port properties. As noted in Table 1, 72.5 percent of FY 2002-2003 revenues came from rental income. The Port has a variety of properties, which include retail and restaurant, fish processing, office and commercial, warehouse, parking, and light industrial facilities. Most retail, restaurant, and office or commercial properties are located on the Northern Waterfront, from Fisherman's Wharf to the Ferry Building. The Southern Waterfront contains mostly warehouse and industrial properties, such as the cement batching plants located on Pier 92. As shown in Table 3, the Port received approximately \$39.5 million in rent revenues in FY 2002-2003.

¹ Harbor services consists of tugboat operators, bar pilots and other ship service operators, and lay berthing.

Table 3**Property Revenues
FY 2002-2003**

	FY 2002-2003 Revenues	As a Percent
Commercial and industrial rents	\$32,037,000	81.1%
Parking lot and meter revenues	7,466,000	18.9%
Total	\$39,503,000	100%

Source: San Francisco Port audited financial statement

The Port's property rent revenues, including parking revenues, have increased by 17.4 percent over the past five fiscal years, from \$33,651,000 in FY 1998-1999 to \$39,503,000 in FY 2002-2003.

Operating Losses and Reductions in Unrestricted Net Assets

According to the Port's audited financial statements, the Port had operating losses in FY 2001-2002 of \$5.4 million and in FY 2002-2003 of \$4.3 million. In FY 2001-2002 and FY 2002-2003, the Port's operating expenses and expenses for depreciation and amortization of its assets were greater than the Port's operating revenues. The Port's unrestricted net assets, which represents the Port's available resources, declined by \$11.2 million, or approximately 20 percent, between FY 2001-2002 and FY 2002-2003. Further, the Port's total net assets declined by \$6.4 million, or approximately 2 percent, indicating that the decline in the Port's unrestricted net assets was not offset by an increase in the Port's investment in capital assets.

Table 4
Operating Losses and Reductions in Unrestricted Net Assets
FY 1999-2000 through FY 2002-2003

	FY 1999-2000	FY 2000-2001	FY 2001-2002	FY 2002-2003
Operating revenues	\$46,029,000	\$50,345,000	\$50,494,000	\$54,467,000
Operating expenses:				
Operations & maintenance	29,052,000	37,129,000	47,759,000	50,103,000
Debt & amortization	6,728,000	7,156,000	8,119,000	8,655,000
Total operating expenses	35,780,000	44,285,000	55,878,000	58,758,000
Operating income or loss (Operating revenues less expenses)	\$10,249,000	\$6,060,000	(\$5,384,000)	(\$4,291,000)
Non-operating revenues & expenses, capital grants, & other contributions	6,759,000	36,270,000	10,292,000	(2,129,000)
Change in net assets (Operating income plus non-operating & other revenues)	\$17,008,000	\$42,330,000	\$4,908,000	(\$6,420,000)
Net assets				
Beginning of year	\$210,246,000	\$227,254,000	\$269,584,000	\$274,492,000
End of year	<u>227,254,000</u>	<u>269,584,000</u>	<u>274,492,000</u>	<u>268,072,000</u>
Change in net assets	\$17,008,000	\$42,330,000	\$4,908,000	(\$6,420,000)
Total net assets	\$227,254,000	\$269,584,000	\$274,492,000	\$268,072,000
Less: capital assets	175,683,000	197,434,000	213,399,000	222,211,000
Less: restricted net assets	0	0	6,201,000	2,128,000
Total unrestricted net assets	\$51,571,000	\$72,150,000	\$54,892,000	\$43,733,000

Source: The Port's audited financial statements

From FY 1999-2000 through FY 2002-2003, the Port's unrestricted net assets have declined. The Port received approximately \$25.7 million in FY 2000-2001 in one-time revenues from MUNI for propriety rights to Port property in perpetuity, which increased the Port's unrestricted net assets in that year. However, in FY 2002-2003, the Port's unrestricted net assets of \$43.7 million were \$7.8 million, or approximately 15 percent less, than FY 1999-2000 unrestricted assets, resulting in less available funds for maintaining and improving the Port's capital assets. The Port's financial position is discussed in more detail in Section 1 of this report.

The Nexus Study

The Burton Act and the City Charter require the City to maintain a Harbor Fund where all Port revenues are held. Under the Public Trust Doctrine and the Burton Act, Harbor Fund revenues may be spent only for uses and purposes that fulfill the purpose of the

public trust. The Port, which is an enterprise fund department, is supported by revenues from the Port's activities. City departments, such as Police, Fire, Parking and Traffic, Public Works and others, provide services to the Port that support uses and activities on Port property. The Port reimburses City departments for these activities and services from Port revenues held in the Harbor Fund. The Port Commission, the Controller, the Mayor and the Board of Supervisors approve the Port's budget for expenditures from the Harbor Fund, including payments to specific departments for various services.

The FY 2003-2004 budget included as a General Fund Revenue \$2 million transferred from the Port's Harbor Fund to the General Fund to pay the estimated cost of past expenditures for services provided to the Port by General Fund supported City departments. The appropriation was made with the understanding that the City and the Port would conduct a Nexus Study to determine the cost of City services provided to the Port. According to the Nexus Study, the report was to provide the City and the Port with (a) an auditable record of past expenditures and (b) more systematic means of determining the balance of payments by the Port to the General Fund in the future. The Nexus Study found that the Port should pay the General Fund \$1 million for past expenditures for services provided to the Port by General Fund supported City departments.

The final Nexus Study report is due to be released in late April, after the writing of this report, and will provide a methodology to calculate the balance of payments between the Port and General Fund supported City departments.

Port of San Francisco Management Accomplishments

Management audits typically focus on opportunities for improvements within an organization. In order to provide a more balanced perspective on Port operations, this section of the Introduction summarizes some of the current noteworthy accomplishments of the Port of San Francisco. In order to allow the Port to highlight those accomplishments that Port management feels are the most noteworthy, the Budget Analyst requested and received a list of accomplishments from the Port. This list of accomplishments is included with this report as Attachment I.

Some of the more noteworthy accomplishments of the Port of San Francisco are described below:

Completed Public/Private Development Projects

- **Ferry Building Historic Preservation Project (2003)** – This project is a \$100 million historic rehabilitation of a National Register and City Landmark Building. The restored Ferry Building includes a ground floor marketplace, including retail food shops, restaurants, a bookstore, ferry services, and public uses, totaling approximately 70,000 square feet. The two upper floors include office uses and the Port Commission Meeting Room, totaling approximately 170,000 square feet. Public access was also created through the building.

- **Pier 1 Historic and Maritime Office Building (2001)** – This \$54 million historic preservation project converted a shed building used for parking to 150,000 square feet of Class-A office space, made up of the Port's new administrative headquarters, the project developer's new headquarters, other office tenants and the Pier 1 Deli. Nearly one acre of new public access extends through and along the perimeter of the pier building, and the Port's Bayside Conference Rooms are available to the public after hours for meetings and events. Innovative environmental building practices were incorporated into the building's reconstruction.
- **SBC (Pacific Bell) Ballpark (2000)** – This \$357 million privately financed baseball stadium for the San Francisco Giants is located in China Basin and includes 42,000 seats, Bay and City views, and extensive public access and public viewing areas. The stadium is used during the off-season for musical concerts and other major events. The project included extensive community involvement and coordination between several City departments, including the Port, DPT, MUNI, and the San Francisco Planning Department.

Maritime Accomplishments

- Increased passenger cruise business over 300% since 1996 by implementing an aggressive marketing incentive program. 2004 will be the Port's biggest passenger cruise year ever with over 220,000 passengers and 89 vessel calls, from 25 different ships representing 12 different cruise lines.
- Developed, opened and operate two- berth China Basin Ferry Terminal at SBC Park, two new ferry terminals at the Ferry Building (Downtown Ferry Terminal), and a 62-berth \$7 million commercial fishing harbor at Hyde Street Harbor including state-of-the-art environmental protections.

Engineering and Maintenance Accomplishments

- **Facility Condition Surveys** – The Port has developed a program complete with inspection procedures and notification protocol to assess and report the structural condition of all Port facilities. This program has lead to the repair and closure of a number of Port properties. It has also lead to many repairs performed by the tenants and has impacted the Ports leasing procedures. The first round of structural inspections for all Port facilities will be completed by the end of 2004.
- **ADA Transition Plan** – As part of an on-going commitment to the community, the Port preformed a review of all of its facilities through the ADA Transition Plan Review. The Disability Access Committee, Port Staff and the ADA advocacy firm Magar & Milstein provided peer review and public comment throughout the process. A plan has been developed that prioritizes various accessibility projects identified as part of the plan review process. This plan commits the Port's limited financial

resources to ADA projects in a manner that will benefit the community and the Port's legal requirements first.

- **Storm Water Management Plan** – The Port has developed a storm water management plan for the waterfront to comply with storm water regulations recently promulgated by the State of California.

Finance Accomplishments

- In 1997, the Port obtained a \$12 million, 10-year commercial bank loan as part of the Pacific Bell Baseball Stadium transaction. The commercial bank loan was taken out to finance the relocation of the Port's Maintenance Department and for the purchase of a land parcel from Caltrans. By utilizing a bank loan with a variable interest rate, and flexible loan draw down structure, rather than traditional bond financing; the Port was able achieve significant interest cost savings. A companion interest rate cap allowed the Port to take advantage of lower short-term interest rates afforded by the loan, while limiting its exposure to potentially high interest rates in the future. In 2001, the Port arranged for the early repayment of the \$12 million commercial bank loan. The early repayment resulted in substantial cost savings in future interest costs.
- In July 2003, auditors from the State of California's Department of Finance conducted a review of the Port of San Francisco for purposes of determining whether the Port was in compliance with certain provisions of the Burton Act. The objective of the review was to determine whether the state lands transferred to the Port have been substantially improved by the City and County of San Francisco without expense to the State, and whether the Port and the City have issued a minimum of \$25 million in bonds for harbor purposes. Based on their review, the State's Department of Finance concluded that the Port of San Francisco has fully complied with the provisions of the Burton Act pertaining to the substantial improvement of state lands, and the issuance of bonds for harbor purposes.

Organization of This Report

This management audit report is organized into thirteen sections and the subject areas addressed herein are as follows:

- Section 1. Strategic Planning and Organization of the Port of San Francisco
- Section 2. Planning and Development of Port Properties
- Section 3. Appropriation and Budgetary Control and the Port's Capital Program
- Section 4. Maintenance Division Management
- Section 5. Engineering Division Management
- Section 6. Management of the Port's Real Estate
- Section 7. Monitoring of Billing and Collections

- Section 8. Monitoring Parking Meter Collections
- Section 9. Non-Compliance with the California Building Standards Code
- Section 10. Port Building Inspection Issues
- Section 11. Environmental/Health & Safety Issues
- Section 12. Managing the Port's Human Resources
- Section 13. Information Systems

Acknowledgements

We would like to thank the management and staff of the Port of San Francisco for their cooperation and assistance during this study. Without the involvement of many individuals throughout the organization, this study would have been more difficult to complete.