

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2005-2006 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2006-2007 basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$6.58 billion (net assets). Of this amount, \$552.7 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The increase in the government's total net assets is \$375.2 million or 6.0 percent during fiscal year 2006-2007 compared to an increase of \$438.5 million or 7.6 percent during fiscal year 2005-2006. This year, there was a 2.8 percent rise in total revenues while overall expenses grew by 4.5 percent.
- Net assets for the City's governmental activities increased by \$76.4 million or 4.3 percent at the end of fiscal year 2006-2007, reflecting the continued growth although at a slower pace than in the prior fiscal year when net assets increased by \$293.5 million or 19.6 percent.
- At June 30, 2007, the City's total ending fund balance for governmental funds was approximately \$1.25 billion. Within this total, \$191.6 million, or 15.3 percent is unreserved and available for spending at the government's discretion within the purposes specified for the City's funds. This reflects a one percent increase in unreserved fund balance over the prior year.
- The City's General Fund had an unreserved fund balance of \$141.0 million on June 30, 2007, a \$2.1 million or 1.5 percent increase over the previous fiscal year. The total fund balance increased by 17.4 percent to \$541.5 million at the same time. This year's improvement was primarily due to a 7.1 percent or \$174.9 million increase in revenues primarily from property taxes, business taxes, other local taxes, interest and investment income. This increase brought the General Fund total revenues to \$2.65 billion compared to total expenditures of approximately \$2.16 billion for the fiscal year. Due to the strong revenue growth, the City increased the General Fund's "rainy day" reserves by \$26.3 million in new deposits less a partially offsetting \$14.7 million withdrawal for eligible one-time expenditures and capital investment. The net effect was an \$11.6 million increase which brought the total to \$133.6 million as of June 30, 2007.
- The City's total long-term debt, including all bonds, loans, commercial paper and capital leases decreased by \$31 million during fiscal year 2006-2007. The City issued \$157.3 million in general obligation refunding bonds and \$153.7 million in certificates of participation for acquisition of two office buildings and improvements work for three office buildings. In addition, this year the San Francisco International Airport and the San Francisco Water Enterprise issued \$453 million and \$48.7 million, respectively, in revenue refunding bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

### Organization of City and County of San Francisco Comprehensive Annual Financial Report

CAFR	Introductory Section	INTRODUCTORY SECTION			
		+			
	Financial Section	Management's Discussion and Analysis			
		Government- wide Financial Statements	Fund Financial Statements		
		Statement of net assets	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of net assets	Statement of fiduciary net assets
			Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets	Statement of changes in fiduciary net assets
		Statement of activities	Budgetary comparison statement	Statement of cash flows	
		Notes to the Financial Statements			
		Required Supplementary Information Other Than MD&A			
		Information on individual non-major funds and other supplementary information that is not required			
			+		
	Statistical Section	STATISTICAL SECTION			

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental</b>	<b>Proprietary</b>	<b>Fiduciary</b>
<b>Scope</b>	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
<b>Type of asset and liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
<b>Type of inflow and outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency, and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements - i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers - either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), Port of San Francisco (Port), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the San Francisco Wastewater Enterprise (Wastewater), all of which are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

### **Combining Statements and Schedules**

The combining statements and schedules referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets June 30, 2007 (in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and other assets.....	\$ 2,034,379	\$ 2,073,433	\$ 2,098,272	\$ 2,162,036	\$ 4,132,651	\$ 4,235,469
Capital assets.....	2,900,769	2,674,862	8,867,534	8,529,054	11,768,303	11,203,916
Total assets.....	4,935,148	4,748,295	10,965,806	10,691,090	15,900,954	15,439,385
<b>Liabilities:</b>						
Noncurrent liabilities outstanding.....	2,201,025	2,138,652	5,529,934	5,701,283	7,730,959	7,839,935
Other liabilities.....	863,112	815,025	724,608	577,374	1,587,720	1,392,399
Total liabilities.....	3,064,137	2,953,677	6,254,542	6,278,657	9,318,679	9,232,334
<b>Net assets:</b>						
Invested in capital assets, net of related debt.....	1,454,614	1,438,010	3,795,006	3,438,397	5,249,620	4,876,407
Restricted.....	430,843	428,646	349,136	437,366	779,979	866,012
Unrestricted (deficit).....	(14,446)	(72,038)	567,122	536,670	552,676	464,632
Total net assets.....	\$ 1,871,011	\$ 1,794,618	\$ 4,711,264	\$ 4,412,433	\$ 6,582,275	\$ 6,207,051

### Analysis of Net Assets

Net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$6.58 billion at the close of the fiscal year 2006-2007.

The largest portion of the City's net assets reflects its \$5.25 billion (79.8 percent) investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. This percentage has remained substantially the same since fiscal year 2005. The City uses capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to pay these liabilities.

Another portion of the City's net assets, \$780.0 million (11.8 percent) represents resources that are subject to external restrictions as to how they may be used. The remaining balance, unrestricted net assets, \$552.7 million (8.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors. Together, these two components of net assets totaled 20.2 percent in fiscal year 2006-2007, comparable to the prior year's percentage.

At the end of the fiscal year 2006-2007, the City had positive balances in all three components of net assets for the government as a whole, as well as for the business-type activities. For the governmental activities, unrestricted net assets have a deficit of \$14.4 million related primarily to the \$114.0 million in debt from general obligation bonds issued by the City for the benefit of the San Francisco Unified School District and San Francisco Community College District, which are recorded on the City's books with no corresponding assets.

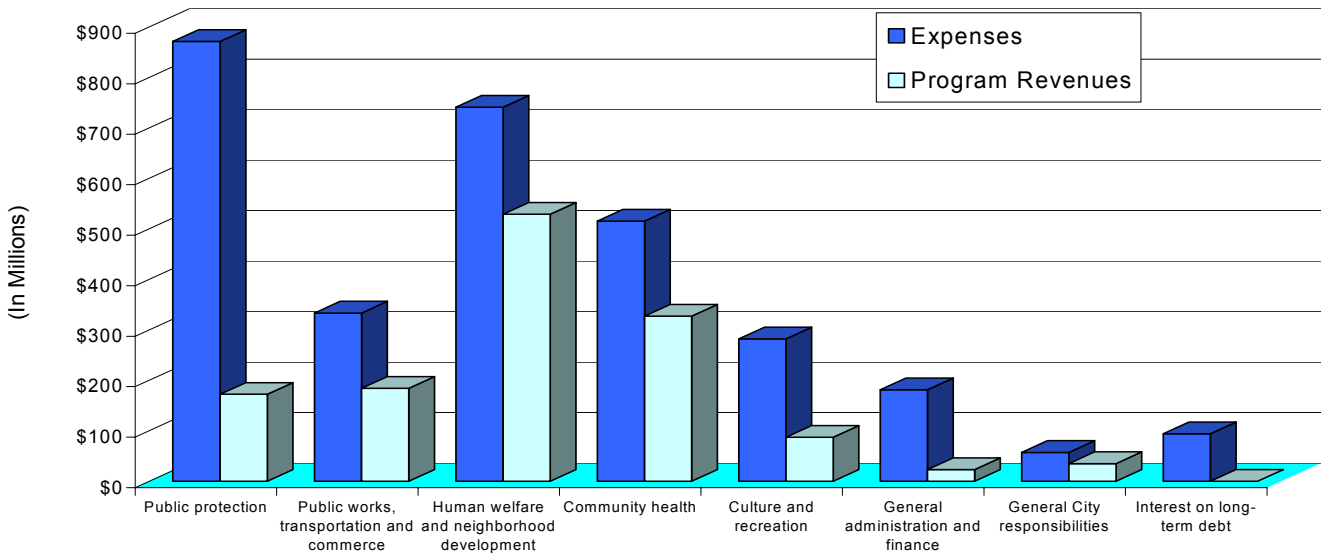
**Changes in Net Assets**  
**Year Ended June 30, 2007 (in thousands)**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>						
Program revenues:						
Charges for services.....	\$ 382,489	\$ 399,265	\$ 1,822,047	\$ 1,714,488	\$ 2,204,536	\$ 2,113,753
Operating grants and contributions.....	927,256	859,919	183,301	188,672	1,110,557	1,048,591
Capital grants and contributions.....	50,479	248,329	150,080	110,403	200,559	358,732
General revenues:						
Property taxes.....	1,126,992	1,016,220	-	-	1,126,992	1,016,220
Business taxes.....	337,592	323,153	-	-	337,592	323,153
Other local taxes.....	668,824	595,664	-	-	668,824	595,664
Interest and investment income.....	86,233	71,129	85,692	53,161	171,925	124,290
Other.....	33,046	56,022	218,184	272,873	251,230	328,895
Total revenues.....	<u>3,612,911</u>	<u>3,569,701</u>	<u>2,459,304</u>	<u>2,339,597</u>	<u>6,072,215</u>	<u>5,909,298</u>
<b>Expenses</b>						
Public protection.....	870,381	780,642	-	-	870,381	780,642
Public works, transportation and commerce.....	309,095	272,397	-	-	309,095	272,397
Human welfare and neighborhood development.....	751,034	858,396	-	-	751,034	858,396
Community health.....	516,321	478,844	-	-	516,321	478,844
Culture and recreation.....	290,547	244,423	-	-	290,547	244,423
General administration and finance.....	185,961	167,490	-	-	185,961	167,490
General City responsibilities.....	67,948	49,054	-	-	67,948	49,054
Unallocated Interest on long-term debt.....	94,060	94,923	-	-	94,060	94,923
Airport.....	-	-	624,832	633,102	624,832	633,102
Transportation.....	-	-	726,053	695,593	726,053	695,593
Port.....	-	-	61,937	55,329	61,937	55,329
Water.....	-	-	236,824	213,584	236,824	213,584
Power.....	-	-	95,020	119,146	95,020	119,146
Hospitals.....	-	-	714,349	646,149	714,349	646,149
Sewer.....	-	-	168,954	160,701	168,954	160,701
Market.....	-	-	1,061	1,035	1,061	1,035
Total expenses.....	<u>3,085,347</u>	<u>2,946,169</u>	<u>2,629,030</u>	<u>2,524,639</u>	<u>5,714,377</u>	<u>5,470,808</u>
Increase/(decrease) in net assets before special items and transfers.....	<u>527,564</u>	<u>623,532</u>	<u>(169,726)</u>	<u>(185,042)</u>	<u>357,838</u>	<u>438,490</u>
Special items.....	-	-	17,386	-	17,386	-
Transfers.....	<u>(451,171)</u>	<u>(329,996)</u>	<u>451,171</u>	<u>329,996</u>	-	-
Change in net assets.....	76,393	293,536	298,831	144,954	375,224	438,490
Net assets at beginning of year.....	1,794,618	1,501,082	4,412,433	4,267,479	6,207,051	5,768,561
Net assets at end of year.....	<u>\$ 1,871,011</u>	<u>\$ 1,794,618</u>	<u>\$ 4,711,264</u>	<u>\$ 4,412,433</u>	<u>\$ 6,582,275</u>	<u>\$ 6,207,051</u>

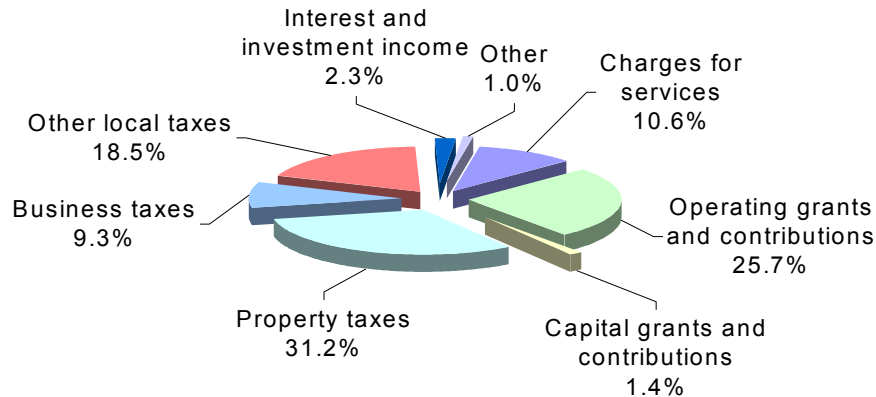
**Analysis of Changes in Net Assets**

The City's net assets overall increased by \$375.2 million during fiscal year 2006-2007, compared to a \$438.5 million increase during the prior fiscal year. The governmental activities accounted for \$76.4 million of this increase and the business-type activities accounted for \$298.8 million. While all business-type activities realized increases to their net assets, approximately 68.1 percent, \$203.4 million is due to increases at Laguna Honda Hospital (LHH) and Municipal Transportation Agency (MTA). The LHH increase to net assets was \$111.8 million and was primarily due to transfers from the City's governmental funds to support rebuilding of the hospital. The MTA increase of \$91.6 million was partially due to increases in capital contributions from state and federal sources. A discussion of these and other changes in both governmental and business-type activities is presented on the following pages.

### Expenses and Program Revenues - Governmental Activities



### Revenues By Source - Governmental Activities



**Governmental activities.** Governmental activities increased the City's total net assets by \$76.4 million during fiscal year 2006-2007, compared to a \$293.5 million increase during fiscal year 2005-2006. Key factors contributing to this year's increase are as follows:

- Overall, governmental activities' revenue increased by approximately \$43.2 million while expenses increased by \$139.2 million and net transfers out increased by \$121.2 million. This resulted in a net asset increase of \$76.4 million for governmental activities at the end of fiscal year 2006-2007.
- Expenses for Human Welfare and Neighborhood Development were approximately \$107.3 million less in fiscal year 2006-2007 as compared to the prior year. This was partially due to

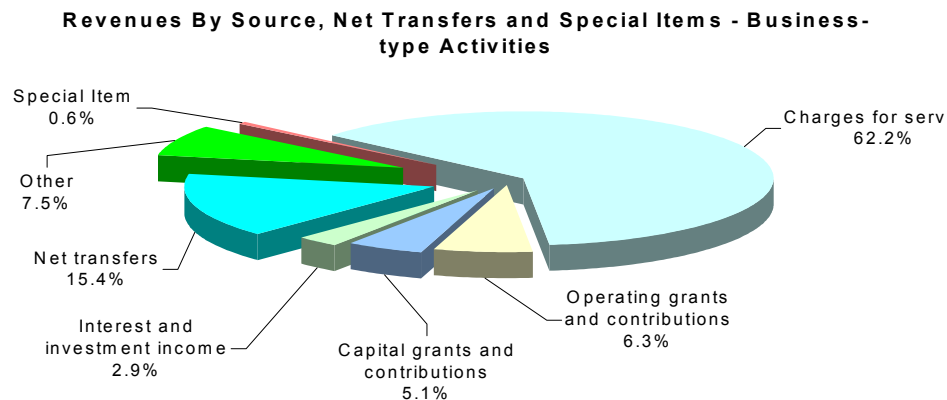
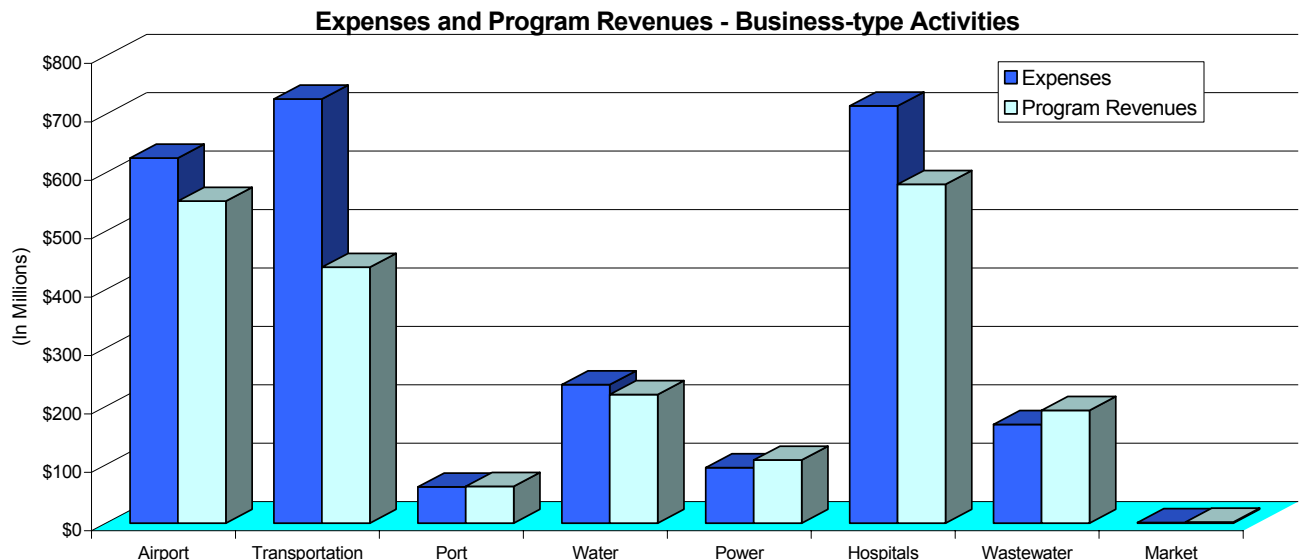


a one-time increase in the allowance for uncollectible loans account last year because of a change in accounting policy for the City's low-income housing program. At the government-wide level, this was approximately \$160 million offset by this year's increase in expenses of \$53 million for personnel, grants, and other administrative expenses.

- Property tax revenue increased significantly by \$110.8 million or 10.9 percent during the fiscal year. Most of this growth is due to a 7.6 percent increase in net assessed valuations in fiscal year 2006-2007 as compared to fiscal year 2005-2006, the expiration of ERAF III (the State is shifting the property taxes from the City to the Educational Revenue Augmentation Fund for Schools), and 1.9 percent increase due to escape billings and supplemental billings.
- Business tax revenue increased \$14.4 million or 4.5 percent, due largely to wage growth as well as moderate employment growth. San Francisco had 12,200 more jobs in calendar year 2006 as compared to calendar year 2005, representing an annual growth in jobs of 2.4 percent.
- Revenues from other local taxes, which includes real property transfer tax, hotel, sales, utility users and parking tax, increased by \$73.2 million or 12.3 percent. The largest components of growth were hotel tax (up \$20.4 million or 11.7 percent), real property transfer tax (up \$12.7 million or 9.7 percent), local sales tax (up \$9.6 million or 5.5 percent). Factors contributing to this growth include increased hotel occupancy and average daily room rates, increased transfer tax revenues associated with increased property sales activity, increasing sales activity and increased parking tax collections due to higher parking demand and rate increases. On a related note, in fiscal year 2006-2007, the implementation of Ordinance No. 71-07 transferred the 40 percent or \$25.9 million parking tax allocation related to public transit (which formerly accrued directly to the MTA) to the General Fund with an associated transfer out to the MTA in lieu of the parking tax.
- Interest and investment income improved by about \$15.1 million or 21.2 percent during the year primarily due to higher interest rates during the period. The earned yield on City pooled investments increased nearly 24 percent from 4.2 percent to 5.2 percent. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other short-term investments combined with increasing interest rates from the Federal Reserve. At the fiscal year end, deposits and investments for governmental activities with the City Treasury were \$1.35 billion, a 10.7 percent decrease over the previous year.
- Operating grants and contributions increased by \$67.3 million or 7.8 percent during fiscal year 2006-2007. This included additional Homeland Security funds of close to \$12.7 million for public works, transportation and commerce and approximately \$3.8 million for public protection. Grant increases to other public protection programs were approximately \$7.0 million. Federal grants for community development and housing programs increased by about \$14.2 million and state funds for health and welfare programs rose by close to \$20.0 million. The City also realized an additional \$4.5 million in fiscal year 2006-2007 for state mandated programs, and \$5.7 million for election support.
- The capital grants and contributions revenue significant decrease of \$197.9 million is primarily due to recognition of the City's newly rebuilt de Young Museum in 2005-2006 which was constructed with private funding through an independent non-profit corporation. Apart from this major contribution change year-over-year, the revenue for fiscal year 2006-2007 was at the same level as the previous fiscal year.
- Net transfers to business-type activities were \$451.2 million in fiscal year 2006-2007, a net \$121.2 million increase over fiscal year 2005-2006. These transfers included a net increase of \$41.7 million and \$7.0 million to Laguna Honda Hospital to support for re-construction of the hospital and operating subsidy respectively; a \$36.4 million net increase to San Francisco

General Hospital Medical Center related to increased General Fund support; a \$35.3 million net increase to MTA, of which \$25.9 million was due to the change in parking tax budgeting discussed earlier and the remaining due to higher baseline funding. In addition, there was a net decrease of \$1.8 million in Airport transfers, and Water recorded a one-time net transfer of \$9.7 million to the Governmental activities for the acquisition of land.

The charts shown previously illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, public protection is the largest function in expense (28.2 percent), followed by human welfare and neighborhood development (24.3 percent), and community health (16.7 percent). General revenues such as property, business, and sales taxes are not shown by program, but are used to support program activities citywide. For governmental activities, property taxes were the largest single source of funds (31.2 percent) in fiscal year 2006-2007, as compared to 28.4 percent in fiscal year 2005-2006. In addition, operating grants and contributions were the second largest source of funds (25.7 percent) in fiscal year 2006-2007 slightly increased from 24.1 percent in fiscal year 2005-2006. The ratios for other revenue categories shifted only slightly from the prior fiscal year 2005-2006: business taxes (9.3 percent vs. 9.1 percent in the prior year), other local taxes (18.5 percent versus 16.7 percent in the prior year), and charges for services (10.6 percent versus 11.2 percent in the prior year). The changes in ratios are partly due to the decrease in capital contributions this year which was previously discussed.



Business-type activities increased the City's net assets by \$298.8 million. Key factors contributing to this improvement are:

- The Municipal Transportation Agency (MTA) had net assets of \$1.89 billion at June 30, 2007, an increase of approximately \$91.6 million over the prior fiscal year. The total net assets include \$1.84 billion (97.3 percent) for MUNI, the City's municipal railway. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. Between the end of fiscal years 2005-2006 and 2006-2007, MUNI's net assets increased by approximately \$80.7 million, primarily due to the completion of the first phase, and continued work on the second phase of the Third Street Light Rail Project, funded by federal, state and local capital contributions. During this same period, MUNI's total operating revenues grew by \$8.0 million to a total of \$149.2 million. This was largely due to the combination of an increase in ridership along with the annualizing of a passenger fare increase which began in September 2005. MUNI also reported a decrease in non-operating revenues of \$13.9 million. The primary components of this change were a \$9.4 million increase in parking garage revenues and a \$25.9 million decrease in parking tax revenues. The decrease in parking tax revenues occurred because of a change in budgeting but was backfilled by a like amount of transfer funding from the General Fund, beginning in fiscal 2006-2007. This year, the City's General Fund total subsidy to MTA was \$197.1 million. This included \$149.8 million for MUNI, a \$31.4 million increase over the prior year mostly due to the aforementioned change in budgeting for parking tax revenue, and \$47.3 million for the Department of Parking and Traffic, a \$3.8 million increase over the prior year.
- Laguna Honda Hospital, the City's long-term care hospital increased net assets by \$111.8 million during fiscal year 2006-2007, or 70.9 percent, reflecting the major capital project underway to rebuild the hospital. The increase included \$91.2 million in transfers from the non-major governmental funds which account for the Laguna Honda Hospital General Obligation Bond proceeds and capital project activity. In addition, the hospital received a \$45.7 million subsidy transfer and a \$1.3 million operating transfer from the City's General Fund and \$0.2 million from the San Francisco General Hospital Medical Center. This \$138.4 million of inflow was offset by approximately \$26.6 million in operating and non-operating losses, compared to last year's loss of \$22.5 million.
- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, had net assets of \$435.8 million at the end of fiscal year 2006-2007, an increase of \$23.8 million or 5.8 percent over the prior fiscal year which realized a \$41.7 million increase. This \$17.9 million change between the two fiscal years reflects a \$42.0 million decrease in total revenues and a \$24.1 million reduction in expenses. Total revenues in fiscal year 2006-2007 were \$118.8 and total expenses were \$95.0 million. Decreased power sales to the Western System Power Pool, Modesto Irrigation District and Turlock Irrigation District account for much this revenue change. At the same time, the decline in expenses is largely due to a \$21.8 million reduction in power purchases from Calpine, and a net decrease in general and administrative expenses, in particular litigation and judgment expenses, of approximately \$2.2 million.
- The Water Enterprise's net assets were \$438.6 million at the end of fiscal year 2006-2007, a \$5.5 million, or 1.3 percent, increase over the prior year's net asset balance of \$433.1 million. Since 2003 the enterprise has been engaged in a multi-billion dollar, ten-year capital improvement program to rebuild the City's water system. Progress on this massive project during this fiscal year is reflected in the Water Enterprise's \$166.5 million increase in net capital assets and the associated use of \$158.1 million of current assets, primarily restricted cash, to support this work. This net increase to total assets of \$8.4 million was partially offset by a \$2.9 million increase in total liabilities. The enterprise's total revenues for fiscal year 2006-2007 were \$252.9 million, an increase of \$37.6 million or 17.5 percent over the prior year. This included a \$13.2 million increase in operating revenue from retail and wholesale water sales which was partially driven by rate increases to retail and wholesale customers of 15 and 19 percent, respectively. It also included a \$12.9 million increase in interest and investment income due largely to higher cash

balances and higher interest earnings; \$3.0 million from a one-time federal grant; and \$6.5 million from the sale of capital assets. Total expenses for the enterprise increased by \$23.2 million primarily due to increases in personal services, contractual services and depreciation as well as interest expenses. The enterprise also had an increase in transfer of about \$9.2 million mainly due to the purchase of a capital asset from the City's governmental activities.

- The City's Wastewater had net assets of \$959.3 million at the end fiscal year 2006-2007. This represents a 3.5 percent or \$32.9 million increase over the prior year's balance of \$926.4 million. Total revenues improved 17.3 percent, increasing from \$172.0 million at the end of fiscal year 2005-2006 to \$201.9 million at the end of fiscal year 2006-2007, a \$29.9 million improvement. Revenue growth included approximately \$17.1 million due to rate increases and \$11.2 million due to implementation of a capacity charge increase first approved in fiscal year 2004-2005. Total expenses increased about \$8.2 million during fiscal year 2006-2007, primarily due to contractual services, general administrative, and the cost of services by other departments.
- The Airport's net assets increased by \$1.8 million, or 0.6 percent, for a total of \$316.7 million at the end of fiscal year 2006-2007. This is significant as compared to last year's decrease in net assets of \$42.7 million, or 11.9 percent. The change is primarily due to an increase of \$48.6 million in operating revenues resulting from a \$32.9 million increase in aviation revenues, mostly as a result of the growth in passenger traffic, and a \$15.7 million increase in concession sales, parking and transportation fees and net sales and services. The Airport's operating expenses decreased by approximately \$1.7 million, or 0.4 percent from the prior-year's total of \$432.8 million. The transfer from the Airport to the City's General Fund was \$23.3 million for fiscal year 2006-2007, an increase of \$1.8 million over 2005-2006 .

As shown in the previous charts, the two largest of San Francisco's business-type activities, the Municipal Transportation Agency and the San Francisco International Airport had total expenses of over \$700 million and \$600 million, respectively for the fiscal year ended 2006-2007. The City's long term and acute care hospitals together also had total expenses over \$700 million. Together, these four enterprises make up 78.6 percent of the total expenses for business-type activities. As in prior years, charges for services provided the largest share of revenues, 62.2 percent for all business-type activities.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City's governmental fund statements is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1.25 billion, a decrease of \$63.6 million over the end of the prior year. The decrease is due to expenditures increasing at a faster rate than revenue sources, across various city functions, debt service payment and in particular, capital outlay which had increased by \$129.9 million or 84.6 percent.

A total of \$191.6 million of the fund balance in the governmental funds constitutes unreserved fund balance. This is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder is reserved, an indication that it is not available for new spending because it has already been committed. These commitments include support for: (1) a General Fund "rainy day" reserve (\$133.6 million), (2) encumbrances for existing contracts and purchase orders (\$349.9 million), (3) funds continued for programs or projects in future fiscal years (\$493.4 million), (3) debt service (\$51.3 million), and (4) for assets not available for appropriation (\$32.1 million).

The General Fund is the chief operating fund of the City and had an unreserved fund balance of \$141.0 million at the end of fiscal year 2006-2007, a slight increase of \$2.1 million over the fiscal year 2005-2006 unreserved fund balance of \$139.0 million. The General Fund's total fund balance was \$541.5 million for fiscal year 2006-2007, a 17.4 percent improvement over the prior-year balance of \$461.3 million. This increase was mainly due to a total increase in revenues of \$174.9 million or 7.1 percent primarily from property, business, other local taxes and interest and investment income which was partially offset by an increase of \$193.7 million or 9.8 percent in expenditures. Overall for the fiscal year ended June 30, 2007, the General Fund's revenues exceeding expenditures by \$487.3 million, before transfers and other items are considered.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For fiscal year 2006-2007, the unreserved fund balance of \$141.0 million represents 6.5 percent of total General Fund expenditures of \$2.16 billion, and the total fund balance represents approximately 25.1 percent of that amount. For the prior fiscal year, 2005-2006, the General Fund's unreserved fund balance of \$139.0 million was 7.1 percent of the total expenditures of \$1.97 billion, and the total fund balance represented approximately 23.4 percent of expenditures.

## **Proprietary Funds**

The City's proprietary fund statements provide the same type of information found in the business-activities section of the government-wide financial statements, but in more detail.

At the end of fiscal year 2006-2007, the unrestricted net assets for the Airport were \$245.2 million, the Water Enterprise \$81.4 million, Hetch Hetchy \$157 million, Wastewater \$57.0 million, the Port \$66.6 million, San Francisco General Hospital Medical Center \$9.0 million, and the San Francisco Market Corporation \$4 million. Two proprietary funds had a deficit in unrestricted net assets: the Municipal Transportation Agency had a deficit of \$38.5 million; and Laguna Honda Hospital \$14.7 million. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of \$5.6 million.

The total increase in net assets for the enterprise funds was \$298.8 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

The following table shows actual revenues, expenses and results of operations for the current fiscal year in the City's proprietary funds (in thousands):

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Revenues (Expense)	Capital Contributions Special Items, and Others	Interfund Transfers	Change In Net Assets
Airport.....	\$ 503,914	\$ 431,059	\$ 72,855	\$ (94,590)	\$ 46,902	\$ (23,348)	1,819
Water.....	216,531	202,498	14,033	1,242	-	(9,763)	5,512
Hetch Hetchy.....	108,224	95,020	13,204	10,586	-	-	23,790
Municipal Transportation Agency.....	222,115	722,412	(500,297)	243,020	100,954	247,913	91,590
General Hospital.....	373,525	527,452	(153,927)	64,752	-	98,031	8,856
Wastewater Enterprise.....	193,411	151,600	41,811	(8,910)	-	(28)	32,873
Port.....	61,193	61,140	53	2,268	19,610	-	21,931
Laguna Honda Hospital.....	141,567	185,420	(43,853)	17,282	-	138,366	111,795
Market Corporation.....	1,567	1,061	506	159	-	-	665
Total.....	<u>\$ 1,822,047</u>	<u>\$ 2,377,662</u>	<u>\$ (555,615)</u>	<u>\$ 235,809</u>	<u>\$ 167,466</u>	<u>\$ 451,171</u>	<u>\$ 298,831</u>

## **Fiduciary Funds**

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2006-2007, the net assets of the Retirement System and Health Service System totaled \$17.0 billion, representing an increase of \$2.46 billion in total net assets since June 30, 2006. This 16.9 percent increase is primarily due to a fourth year of improved performance of the Retirement Trust's investments. The Investment Trust Fund's net assets totaled \$646.2 million, an increase in net assets of \$98.7 million or 18 percent since June 30, 2006 due to the increase in additions over withdrawals and distributions to external participants of the fund.

### **General Fund Budgetary Highlights**

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. In fiscal year 2006-2007, the City approved \$88.2 million in General Fund supplemental appropriations for various departments primarily for affordable housing, revenue-supported Baseline funding, revenue-supported Human Services program funding, capital projects and violence prevention initiatives.

During the year, actual revenues and other resources were \$115.5 million more than budgeted. While the City realized \$156.3 million more revenue than budgeted primarily due to higher property taxes, real property transfer taxes, hotel room taxes, health and welfare realignment subventions, parking taxes, interest and investment income, and business taxes, these increases were partially offset by \$40.8 million less revenue than budgeted primarily due to lower Federal and State subvention and grant funding, General Government & Health-related service charges as well as Recreation & Park rental revenues. Overall revenue shortfalls were more than offset by expenditure savings, most notably in Health and Human Service programs. General Fund budgetary comparisons are on shown on pages 31-33.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$82.9 million in appropriation savings. This is primarily due to the following factors:

- A savings of \$18.3 million in the Department of Public Health, due largely to savings related to the Mental Health and Public Health programs. These savings are largely offset by mental and public health-related revenue shortfalls in intergovernmental and service charge revenues noted above.
- A savings of \$13.9 million in the Human Services Agency, due largely to lower program costs related to CalWORKS Childcare and Aid, Family & Children's Services, Childcare, Homeless Services, General Assistance Aid, Administrative Support, and Employment & Self-Sufficiency Programs. These savings are partially offset by reductions in Human Service revenues, most notably in federal social service funding discussed above.
- A savings of \$14.9 million in transfers to other funds primarily due to higher hospital revenues, which in turn resulted in lower required subsidy transfers for San Francisco General Hospital and Laguna Honda Hospital.
- A close-out savings of \$22.9 million in budgetary reserves and designations largely due to unspent General Reserve savings not used for supplemental appropriation or other contingencies during fiscal year 2006-2007.

As a result of the strong revenue growth, the City again made deposits into the Rainy Day Reserves during fiscal year 2006-2007, resulting in an additional \$19.6 million into the Economic Stabilization Account and an additional \$9.8 million into the One-Time Spending Account. Combined these two Rainy Day Reserve accounts totaled \$133.6 million by fiscal year end 2006-2007.

The net effect of the strong revenue growth, expenditure savings and record deposits into the Rainy Day Reserve accounts was a positive budgetary fund balance available for subsequent year appropriation of \$131.9 million at the end of fiscal year 2006-2007. The City's fiscal year 2007-2008 Adopted Original Budget assumed an available balance of \$118.9 million, so an additional \$13.0 million remains available. (See also Note 4 to the Basic Financial Statements for additional fund balance details.)

## **Capital Assets and Debt Administration**

### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2007, increased by \$564.4 million, 5.0 percent, to \$11.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. Governmental activities contributed \$225.9 million or 2.0 percent to this total while \$338.5 million or 3.0 percent was from business-type activities. Details are shown in the table below.

**Capital Assets, Net of Accumulated Depreciation**  
(in thousands)

	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Land.....	\$ 151,917	\$ 143,640	\$ 195,722	\$ 194,783	\$ 347,639	\$ 338,423
Facilities and Improvement..	2,108,299	1,884,952	6,042,922	5,974,331	8,151,221	7,859,283
Machinery and equipment....	53,546	44,782	773,585	799,846	827,131	844,628
Infrastructure.....	261,179	240,601	725,729	464,477	986,908	705,078
Property held under lease....	-	-	2,484	2,607	2,484	2,607
Easements.....	-	-	72,403	79,358	72,403	79,358
Construction in progress.....	325,828	360,887	1,054,689	1,013,652	1,380,517	1,374,539
Total.....	<b><u>\$ 2,900,769</u></b>	<b><u>\$ 2,674,862</u></b>	<b><u>\$ 8,867,534</u></b>	<b><u>\$ 8,529,054</u></b>	<b><u>\$ 11,768,303</u></b>	<b><u>\$ 11,203,916</u></b>

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by \$225.9 million. This included the purchase and improvement of two office buildings totaling \$114.4 million funded by Certificate of Participation Series 2007 A and B. The remaining \$111.5 million increase was mainly due to construction-in-progress work at various park and recreational sites (including the Academy of Science and Steinhart Aquarium), branch libraries, as well as various street improvement and traffic signal upgrades, and work at Juvenile Hall. About \$190.5 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure as appropriate. These include the San Bruno Jail of \$134.3 million, various branch libraries and certain public works projects.
- The Water Enterprise's net capital assets increased by \$166.5 million. Close to 66.9 percent of the increase in net capital assets, or \$111.4 million, reflects the net increase in construction-in-progress on the enterprise's ten-year water system improvement project. This change includes a \$216.8 million increase in construction projects offset by \$92.6 million in transfers to facilities and improvements, \$2.5 million transfers to equipment, and \$10.2 million expensed for projects not continued. The increase included Sunset Reservoir Rehabilitation and Upgrade, Bay Division Pipeline Seismic Upgrade and others Water System Improvement Program. The remaining net increase of \$55.1 million reflects the increase to facilities, improvements and equipment less increase to depreciation.
- MTA's net capital assets increased by \$72.8 million or 3.9 percent. Of the \$72.8 million, MUNI's net capital assets increased by \$79.5 million or 4.4 percent. Current year additions to construction-in-progress amounted to \$161.6 million of which \$73.0 million was for the Third Street Phase 1 and 2 projects, a major expansion of the transportation system in the City's southeast neighborhoods. Phase 1 construction was completed, conceptual engineering and the supplemental environmental process for Phase 2 continued. Other significant work in progress



included Motor Bus Hybrid Procurement, Trolley Overhead Reconstruction and New Central Subway. Parking and Traffic and the non-profit garages had a net decrease of \$5.7 million and \$1.0 million in net capital assets due to depreciation expenses exceeding asset acquisition.

- Laguna Honda Hospital's net capital assets increased by \$101.4 million due almost entirely to construction-in-progress on the capital project to rebuild the hospital. This work is partially funded by the Laguna Honda General Obligation Bonds.
- The Port's net capital assets increased about 0.8 percent, or \$2.2 million. This increase included completion of security projects at the Port's cruise, ferry and cargo facilities, improvements to parking lots and progress on wetlands enhancement, the Illinois Street Intermodal Bridge and others.
- Hetch Hetchy increased net capital assets by \$8.7 million or 3.2 percent. This included the completion of a \$5.5 million project (the Duct Bank project) and continued work to improve San Francisco electrical reliability power, various solar projects and pipeline works.
- The Airport reported a decrease in net capital assets of \$35.8 million or 1.0 percent due largely to the net effect of depreciation against completed projects of the Near Term Master Plan for SFO in recent years. Major capital additions in the current fiscal year included Terminal 1 Airtrain Bridge and Mezzanine, Phased Reconstruction and Overlay Taxiways and improvements to Terminal Upper Level Viaduct and Air Cargo Explosive Detection System Program.

At the end of the year, the City's business-type activities had approximately \$316.2 million in commitments for various capital projects. Of this, MTA had approximately \$96.4 million, Water Enterprise had \$140.5 million, Hetch Hetchy had \$21.8 million, Wastewater had \$37.5 million, Port had \$5.6 million, Laguna Honda Hospital had \$6.1 million and the Airport had \$8.3 million. In addition, there was approximately \$201.1 million reserved for encumbrances in capital project funds for the general government.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For governmental activities, no net infrastructure assets were recorded in fiscal year 2000-2001 (the first year of presentation in the GASB 34 format), because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

### **Debt Administration**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$7.7 billion. Of this amount, \$1.2 billion is general obligation bonds backed by the full faith and credit of the City and \$6.5 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial papers and capital leases decreased by \$31.0 million during fiscal year 2006-2007, primarily due to maturities of existing debt that exceeded the issuance of new debt in the business-type activities.

The City also took advantage of favorable interest rates to reduce debt payments by issuing \$659.0 million in refunding bonds. Of this amount, the Airport issued \$453.0 million, the Water Enterprise issued \$48.7 million in refunding revenue bonds and the City issued a total of \$157.3 million in general obligation refunding bonds. The City also made the first borrowing in the amount of \$2.0 million on the Seismic Safety Loan Program general obligation bonds under the Board of Supervisors Resolution No. 65-07 for loans to finance the seismic retrofitting of masonry buildings within the City. In addition, the City issued \$153.7 million in certificates of participation for the purchase and improvement of two office buildings and for the renovation of a City's office building. The City also issued, through the San Francisco Finance Corporation, \$11.8 million in lease revenue bonds to finance equipment and \$27.0 million to finance the design, construction and renovation of various parks located within the City. In addition, the City entered into a lease purchase transaction in the amount of \$2.8 million for the telecommunication and computer equipment to establish the 311 Customer Service Center. The Wastewater issued commercial papers in the amount of \$50.0 million.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City - approximately \$124.98 billion in value as of the close of the fiscal year. As of June 30, 2007, the City had \$1.15 billion in authorized, outstanding property tax-supported general obligation bonds, which is equal to approximately 0.89 percent of gross (0.92 percent of net) taxable assessed value of property. As of June 30, 2007, there were an additional \$344.1 million in bonds that were authorized but un-issued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.2 percent of gross taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2007 were:

Moody's Investors Service, Inc.	Aa3
Standard and Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service, Inc. affirmed its rating and revised its rating outlook from stable to positive, and Standard and Poor's affirmed its rating with a stable outlook. Fitch Ratings affirmed its ratings with the rating outlook on all the City's outstanding bonds as positive.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. SFO's underlying debt ratings were upheld by Moody's Investors Service, Standard & Poor's, and Fitch Ratings at "A1", "A", and "A", respectively, with a stable rating outlook. With municipal bond insurance purchase for revenue bond issues, Moody's Investors Service, Standard and Poor's and Fitch Ratings have assigned SFO the ratings of "Aaa", "AAA", and "AAA" respectively. The Water Enterprise carried underlying ratings of "A1" and "A+" from Moody's and Standard and Poor's respectively, based on Municipal Bond Insurance Policies issued by MBIA and FSA and XL Capital Assurance, respectively.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

#### **Economic factors and next year's budget and rates**

- By the end of fiscal year 2006-2007, San Francisco's economy was the healthiest it has been in several years. While the national downturn in housing prices, and associated credit crunch and macroeconomic uncertainty are genuine causes for concern, San Francisco has relatively less exposure to sub-prime mortgages than other parts of the State, so its property tax base is relatively more stable. Compared with other areas of the state and country, San Francisco is expected to weather any downturn comparatively well.

- Preliminary data indicate that the number of employed residents in San Francisco rose by 9,900 people between June 2006 and June 2007. Final annual employment data indicates that 12,200 new jobs were added in calendar year 2006. Combined with the 5,500 jobs added in 2005, San Francisco has added 17,700 new jobs in the last two years. This reversed four consecutive years of job loss from 2000 to 2004. Annual average unemployment for 2006 fell to 4.2 percent in San Francisco, the lowest point since the peak year of 2000, and the year-to-date average unemployment rate through June 2007 remained at 4 percent.
- Average wages in San Francisco have continued to grow at higher rates than the state or nation. San Francisco's average annual wage, across all industries, grew to \$70,825 in calendar year 2006 – a 6.4 percent increase over calendar year 2005. By comparison, average wages nationally grew by only 4.5 percent and by 4.6 percent in California.
- The office market also continued its recovery in 2006-2007, with the vacancy rate declining from 14.8 percent in second quarter 2006 to 11.9 percent in second quarter 2007. During the same period, office rental rates increased 26.2 percent to \$42.31 as of second quarter 2007, while the market experienced about 1.9 million square feet of net absorption. Office developers are taking advantage of this strong market: there is currently 1.8 million square feet of commercial space under construction.
- Despite the national housing slump, and relatively high levels of construction since 2004, housing prices have continued to increase at a healthy rate in the past year. The median home sales price was \$825,000 in June 2007—a 4.4 percent increase from June 2006. In calendar year 2006, 2,828 housing units were constructed, indicating the continuing strength of San Francisco's housing market in the face of the national downturn. Another 5,025 units were under construction as of first quarter 2007.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco  
Office of the Controller  
1 Dr. Carlton B. Goodlett Place, Room 316  
San Francisco, CA 94102-4694

### **Individual Department Financial Statements**

San Francisco International Airport  
Office of the Airport Deputy Director  
Business and Finance Division  
PO Box 8097  
San Francisco, CA 94128

Port of San Francisco  
Fiscal Officer  
Pier 1, The Embarcadero  
San Francisco, CA 94111

San Francisco Water Enterprise  
Hetch Hetchy Water and Power  
San Francisco Wastewater Enterprise  
Director of Accounting Financial Services  
1155 Market Street, 4th Floor  
San Francisco, CA 94103

Laguna Honda Hospital  
Chief Financial Officer  
375 Laguna Honda Blvd.  
San Francisco, CA 94116

Municipal Transportation Agency  
MTA Finance and Administration  
1 South Van Ness Avenue, 7<sup>th</sup> Floor  
San Francisco, CA 94103

Health Service System  
1145 Market Street, Suite 200  
San Francisco, CA 94103

San Francisco General Hospital Medical Center  
Chief Financial Officer  
1001 Potrero Avenue, Suite 2A7  
San Francisco, CA 94110

San Francisco Employees'  
Retirement System  
Executive Director  
30 Van Ness Avenue, Suite 3000  
San Francisco, CA 94102

### **Component Unit Financial Statement**

San Francisco Redevelopment Agency  
One South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94103

### **Blended Component Units Financial Statements**

San Francisco County Transportation Authority  
Deputy Director for Administration and Finance  
100 Van Ness Avenue, 26<sup>th</sup> Floor  
San Francisco, CA 94102

San Francisco Finance Corporation  
Mayor's Office of Public Finance  
City Hall, Room 336  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

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