

**ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2006**



CITY AND COUNTY OF SAN FRANCISCO

**PARKING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO**

**CITY AND COUNTY OF SAN FRANCISCO FINANCE
CORPORATION**

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF
SAN FRANCISCO (LEASE REVENUE BONDS)**

Issued: March 23, 2007

Due: March 27, 2007

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I. Introduction

The City and County of San Francisco (“**City**”), the Parking Authority of the City and County of San Francisco (“**Parking Authority**”), the City and County of San Francisco Finance Corporation (“**Finance Corporation**”), and the Redevelopment Agency of the City and County of San Francisco (the “**Redevelopment Agency**”) hereby each provide the following information required for each of their respective annual reports (collectively, the “**Annual Report**”) for the fiscal year ended June 30, 2006 pursuant to their respective undertakings under the Continuing Disclosure Certificates (as hereinafter defined) executed in connection with the following obligations:

II. General Obligation Bonds

A. General Obligation Bonds Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificates executed and delivered in connection with the issuance of the following City and County of San Francisco General Obligation Bonds (collectively, the “GO Bonds”), the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006 (the “GO Bonds Annual Disclosure Report”).

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. October 29, 1997	Series 1997-1 GO Bonds General Obligation Refunding Bonds, Series 1997-1	<u>\$449,085,000</u>
2. July 2, 1997	Series 1997AB GO Bonds (Golden Gate Park Improvements, 1992) Series 1997A (School District Facilities Improvements, 1994) Series 1997B	<u>\$47,155,000</u> <u>\$25,105,000</u> <u>\$22,050,000</u>
3. March 4, 1998	Taxable Series 1998A GO Bonds Taxable General Obligation Bonds, (Affordable Housing) Series 1998A	<u>\$20,000,000</u>
4. June 10, 1999	Taxable Series 1999A GO Bonds Taxable General Obligation Bonds, (Affordable Housing) Series 1999A	<u>\$20,000,000</u>
5. June 29, 1999	1999ABC GO Bonds (Educational Facilities Bonds, 1997 - Community College District) Series 1999A (Educational Facilities Bonds, 1997 - San Francisco Unified School District) Series 1999B (Zoo Facilities Bonds, 1997) Series 1999C	<u>\$97,760,000</u> <u>\$20,395,000</u> <u>\$60,520,000</u> <u>\$16,845,000</u>

II. General Obligation Bonds

A. General Obligation Bonds Continuing Disclosure Certificates (continued)

Continuing Disclosure Certificate	Issue Name	Original Par Amount
6. October 14, 1999	Series 1999D GO Bonds (Asian Art Museum Relocation Project) Series 1999D	<u>\$16,730,000</u>
7. June 14, 2000	Series 2000ABC GO Bonds (Educational Facilities Bonds, 1997 - Community College District) Series 2000A (Zoo Facilities Bonds, 1997) Series 2000B (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2000C	<u>\$53,225,000</u> \$29,605,000 \$17,440,000 \$6,180,000
8. July 6, 2000	Series 2000D GO Bonds (Affordable Housing) Series 2000D	<u>\$20,000,000</u>
9. February 21, 2001	Series 2001AB GO Bonds (Golden Gate Park Improvements, 1992) Series 2001A (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2001B	<u>\$31,120,000</u> \$17,060,000 \$14,060,000
10. June 12, 2001	Series 2001C GO Bonds (Affordable Housing) Series 2001C	<u>\$17,000,000</u>
11. June 12, 2001	Taxable Series 2001D GO Bonds Taxable General Obligation Bonds, (Affordable Housing) Series 2001D	<u>\$23,000,000</u>
12. July 12, 2001	Series 2001E GO Bonds (Branch Library Facilities Improvement Bonds, 2000) Series 2001E	<u>\$17,665,000</u>
13. April 23, 2002	Series 2002-R1 GO Bonds General Obligation Refunding Bonds, Series 2002-R1	<u>\$118,945,000</u>
14. October 1, 2002	Series 2002AB GO Bonds (Zoo Facilities Bonds, 1997) Series 2002A (Branch Library Facilities Improvement Bonds, 2000) Series 2002B	<u>\$29,345,000</u> \$6,210,000 \$23,135,000

II. General Obligation Bonds

A. General Obligation Bonds Continuing Disclosure Certificates (continued)

Continuing Disclosure Certificate	Issue Name	Original Par Amount
15. July 9, 2003	Series 2003AB GO Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2003A (Educational Facilities Bonds, 1997 - San Francisco Unified School District) Series 2003B	<u>\$50,440,000</u> \$20,960,000 \$29,480,000
16. October 28, 2004	Series 2004AB GO Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2004A (California Academy of Sciences Improvement Bonds, 2000) Series 2004B	<u>\$76,875,000</u> \$68,800,000 \$8,075,000
17. June 16, 2004	Series 2004-R1 GO Bonds General Obligation Refunding Bonds, Series 2004-R1	<u>\$21,930,000</u>
18. May 26, 2005	Series 2005A GO Bonds (Laguna Honda Hospital, 1999) Series 2005A	<u>\$110,000,000</u>
19. May 26, 2005	Series 2005BCD GO Bonds (Laguna Honda Hospital, 1999) Series 2005B (Laguna Honda Hospital, 1999) Series 2005C (Laguna Honda Hospital, 1999) Series 2005D	<u>\$120,000,000</u> \$40,000,000 \$40,000,000 \$40,000,000
20. July 13, 2005	Series 2005EFGH GO Bonds (California Academy of Sciences Improvement Bonds, 2000) Series 2005E (Steinhart Aquarium Improvement Bonds, 1995) Series 2005F (Branch Library Facilities Improvement Bonds, 2000) Series 2005G (Zoo Facilities Bonds, 1997) Series 2005H	<u>\$150,120,000</u> \$79,370,000 \$29,245,000 \$34,000,000 \$7,505,000
21. September 8, 2005	Series 2005I GO Bonds (Laguna Honda Hospital, 1999) Series 2005I	<u>\$69,000,000</u>
22. October 31, 2006	Series 2006-R1 GO Bonds¹ General Obligation Refunding Bonds, Series 2006-R1	<u>\$90,690,000</u>
23. December 18, 2006	Series 2006-R2 GO Bonds¹ General Obligation Refunding Bonds, Series 2006-R2	<u>\$66,565,000</u>

¹ The Series 2006-R1 and Series 2006-R2 GO Bonds were issued after June 30, 2006; information on these bonds is provided as a courtesy.

II. General Obligation Bonds

B. General Obligation Bonds CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	Series 1997-1 GO Bonds	Series 1997A GO Bonds	Series 1997B GO Bonds	Taxable Series 1998A GO
6/15/2007	797645SC3	797645PZ5	797645RB6	797645SW9
6/15/2008	797645SD1	797645QA9	797645RC4	797645SX7
6/15/2009	797645SE9	797645QB7	797645RD2	797645SY5
6/15/2010	797645SF6	797645QC5	797645RE0	797645SZ2
6/15/2011	797645SG4	797645RF7	797645RF7	797645TA6
6/15/2012	797645SH2	797645QF8	797645RG5	797645TB4
6/15/2013	797645SJ8	797645QG6	797645RH3	797645TC2
6/15/2014	797645SK5	797645QH4	797645RJ9	797645TD0
6/15/2015	797645SL3	797645QJ0	797645RK6	797645TE8
6/15/2016	797645SM1	797645QK7	797645RL4	-
6/15/2017		797645QL5	797645RM2	-
6/15/2018				797645TH1

Maturity Date	Taxable Series 1999A GO Bonds	Series 1999A GO Bonds	Series 1999B GO Bonds	Series 1999C GO Bonds	Series 1999D GO Bonds
6/15/2007	797645TT5	797645UP1	797645VK1	797645WF1	797645XB9
6/15/2008	797645TU2	797645UQ9	797645VL9	797645WG9	797645XC7
6/15/2009	797645TV0	797645UR7	797645VM7	797645WH7	797645XD5
6/15/2010	797645TW8	797645US5	797645VN5	797645WJ3	797645XE3
6/15/2011	-	797645UT3	797645VP0	797645WK0	797645XF0
6/15/2012	-	797645UU0	797645VQ8	797645WL8	797645XG8
6/15/2013	-	797645UV8	797645VR6	797645WM6	797645XH6
6/15/2014	-	797645UW6	797645VS4	797645WN4	797645XJ2
6/15/2015	-	797645UX4	797645VT2	797645WP9	797645XK9
6/15/2016	-	797645UY2	797645VU9	797645WQ7	797645XL7
6/15/2017	-	797645UZ9	797645VV7	797645WR5	797645XM5
6/15/2018	-	-	-	-	797645XN3
6/15/2019	797645UF3	797645VB1	797645VX3	797645WT1	797645XP8

II. General Obligation Bonds

B. General Obligation Bonds CUSIP Numbers (continued)

Maturity Date	Series 2000A GO Bonds	Series 2000B GO Bonds	Series 2000C GO Bonds	Series 2000D GO Bonds
6/15/2007	797645XY9	797645YU6	797645ZQ4	797645B49
6/15/2008	797645XZ6	797645YV4	797645ZR2	797645B56
6/15/2009	797645YA0	797645YW2	797645ZS0	797645B64
6/15/2010	797645YB8	797645YX0	797645ZT8	797645B72
6/15/2011	797645YC6	797645YY8	797645ZU5	797645B80
6/15/2012	797645YD4	797645YZ5	797645ZV3	797645B98
6/15/2013	797645YE2	797645ZA9	797645ZW1	797645C22
6/15/2014	797645YF9	797645ZB7	797645ZX9	797645C30
6/15/2015	797645YG7	797645ZC5	797645ZY7	797645C48
6/15/2016	797645YH5	797645ZD3	797645ZZ4	797645C55
6/15/2017	797645YJ1	797645ZE1	797645A24	797645C63
6/15/2018	797645YK8	797645ZF8	797645A32	797645C71
6/15/2019	797645YL6	797645ZG6	797645A40	797645C89
6/15/2020	797645YM4	797645ZH4	797645A57	797645C97

Maturity Date	Series 2001A GO Bonds	Series 2001B GO Bonds	Series 2001C GO Bonds	Taxable Series 2001D GO Bonds	Series 2001E GO Bonds
6/15/2007	797645E20	797645G69	797645K80	797645N46	797645Q84
6/15/2008	797645E38	797645G77	797645K98	797645N53	797645Q92
6/15/2009	797645E46	797645G85	797645L22	797645N61	797645R26
6/15/2010	797645E53	797645G93	797645L30	797645N79	797645R34
6/15/2011	797645E61	797645H27	797645L48	797645N87	797645R42
6/15/2012	797645E79	797645H35	797645L55	-	797645R59
6/15/2013	797645E87	797645H43	797645L63	-	797645R67
6/15/2014	797645E95	797645H50	797645L71	797645P36	797645R75
6/15/2015	797645F29	797645H68	797645L89	-	797645R83
6/15/2016	797645F37	797645H76	797645L97	-	797645R91
6/15/2017	797645F45	797645H84	797645M21	-	797645S25
6/15/2018	797645F52	797645H92	797645M39	-	797645S33
6/15/2019	797645F60	797645J25	797645M47	-	797645S41
6/15/2020	797645F78	797645J33	797645M54	-	797645S58
6/15/2021	797645F86	797645J41	797645M62	797645Q27	797645S66

II. General Obligation Bonds**B. General Obligation Bonds CUSIP Numbers (continued)**

Maturity Date	Series 2002-R1 GO Bonds	Series 2002A GO Bonds	Series 2002B GO Bonds	Series 2003A GO Bonds	Series 2003B GO Bonds
6/15/2007	797645U55	797645W20	797645Y28	7976452H0	7976453D8
6/15/2008	797645U63	797645W38	797645Y36	7976452J6	7976453E6
6/15/2009	797645U71	797645W46	797645Y44	7976452K3	7976453F3
6/15/2010	797645U89	797645W53	797645Y51	7976452L1	7976453G1
6/15/2011	797645U97	797645W61	797645Y69	7976452M9	7976453H9
6/15/2012	797645V21	797645W79	797645Y77	7976452N7	7976453J5
6/15/2013	797645V39	797645W87	797645Y85	7976452P2	7976453K2
6/15/2014		797645W95	797645Y93	7976452Q0	7976453L0
6/15/2015		797645X29	797645Z27	7976452R8	7976453M8
6/15/2016		797645X37	797645Z35	7976452S6	7976453N6
6/15/2017		797645X45	797645Z43	7976452T4	7976453P1
6/15/2018		797645X52	797645Z50	7976452U1	7976453Q9
6/15/2019		797645X60	797645Z68	7976452V9	7976453R7
6/15/2020		797645X78	797645Z76	7976452W7	7976453S5
6/15/2021		797645X86	797645Z84	7976452X5	7976453T3
6/15/2022		797645X94	797645Z92	7976452Y3	7976453U0
6/15/2023				7976452Z0	7976453V8

II. General Obligation Bonds

B. General Obligation Bonds CUSIP Numbers (continued)

Maturity Date	Series 2004-R1 GO Bonds	Series 2004A GO Bonds	Series 2004B GO Bonds	Series 2005A GO Bonds
6/15/2007	7976454G0	7976454L9	7976455G9	
6/15/2008	-	7976454M7	7976455H7	7976456F0
6/15/2009	-	7976454N5	7976455J3	7976456G8
6/15/2010	-	7976454P0	7976455K0	7976456H6
6/15/2011	-	7976454Q8	7976455L8	7976456J2
6/15/2012	-	7976454R6	7976455M6	7976456K9
6/15/2013	-	7976454S4	7976455N4	7976456L7
6/15/2014	7976454H8	7976454T2	7976455P9	7976456M5
6/15/2015		7976454U9	7976455Q7	7976456N3
6/15/2016		7976454V7	7976455R5	7976456P8
6/15/2017		7976454W5	7976455S3	7976456Q6
6/15/2018		7976454X3	7976455T1	7976456R4
6/15/2019		7976454Y1	7976455U8	7976456S2
6/15/2020		7976454Z8	7976455V6	7976456T0
6/15/2021		7976455A2	7976455W4	7976456U7
6/15/2022		7976455B0	7976455XZ	
6/15/2023		7976455C8	7976455Y0	
6/15/2024		7976455D6	7976455Z7	

Maturity Date	Series 2005B GO Bonds	Series 2005C GO Bonds	Series 2005D GO Bonds
6/15/2030	7976456V5	7976456W3	7976456X1

II. General Obligation Bonds

B. General Obligation Bonds CUSIP Numbers (continued)

Maturity Date	Series 2005E GO Bonds	Series 2005F GO Bonds	Series 2005G GO Bonds	Series 2005H GO Bonds	Series 2005I GO Bonds
6/15/2007	797646AB2	797646AX4	797646BT2	797646CP9	797646EC6
6/15/2008	797646AC0	797646AY2	797646BU9	797646CQ7	797646ED4
6/15/2009	797646AD8	797646AZ9	797646BV7	797646CR5	797646EE2
6/15/2010	797646AE6	797646BA3	797646BW5	797646CS3	797646EF9
6/15/2011	797646AF3	797646BB1	797646BX3	797646CT1	797646EG7
6/15/2012	797646AG1	797646BC9	797646BY1	797646CU8	797646EH5
6/15/2013	797646AH9	797646BD7	797646BZ8	797646CV6	797646EJ1
6/15/2014	797646AJ5	797646BE5	797646CA2	797646CW4	797646EK8
6/15/2015	797646AK2	797646BF2	797646CB0	797646CX2	797646EL6
6/15/2016	797646AL0	797646BG0	797646CC8	797646CY0	797646EM4
6/15/2017	797646AM8	797646BH8	797646CD6	797646CZ7	797646EN2
6/15/2018	797646AN6	797646BJ4	797646CE4	797646DA1	797646EP7
6/15/2019	797646AP1	797646BK1	797646CF1	797646DB9	797646EQ5
6/15/2020	797646AQ9	797646BL9	797646CG9	797646DC7	797646ER3
6/15/2021	797646AR7	797646BM7	797646CH7	797646DD5	797646ES1
6/15/2022	797646AS5	797646BN5	797646CJ3	797646DE3	797646ET9
6/15/2023	797646AT3	797646BP0	797646CK0	797646DF0	797646EU6
6/15/2024	797646AU0	797646BQ8	797646CL8	797646DG8	797646EV4
6/15/2025	797646AV8	797646BR6	797646CM6	797646DH6	797646EW2

Maturity Date	Series 2006-R1 GO Bonds ¹	Series 2006-R2 GO Bonds ¹
6/15/2007	797646FX9	797646GM2
6/15/2008	797646FY7	797646GN0
6/15/2009	797646FZ4	797646GP5
6/15/2010	797646GA8	797646GQ3
6/15/2011	797646GB6	797646GR1
6/15/2012	797646GC4	797646GS9
6/15/2013	797646GD2	797646GT7
6/15/2014	797646GE0	797646GU4
6/15/2015	797646GF7	797646GV2
6/15/2016	797646GG5	797646GW0
6/15/2017	797646GH3	797646GX8
6/15/2018	797646GJ9	797646GY6
6/15/2019	797646GK6	797646GZ3
6/15/2020	797646GL4	

¹ The Series 2006-R1 and Series 2006-R2 GO Bonds were issued after June 30, 2006; information on these bonds is provided as a courtesy.

II. General Obligation Bonds

C. General Obligation Bonds Annual Disclosure Report Information.

Pursuant to the Continuing Disclosure Certificates executed in connection with the City’s GO Bonds (see also Section II.A. above), the City hereby provides the following information as of **June 30, 2006**:

Information	Location
The audited general purpose financial statements of the City contained in the City’s Comprehensive Annual Financial Report for the year ended June 30, 2006 (the “CAFR”)	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller’s website at: http://www.sfgov.org/site/controller_page.asp? Id=52644
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 188
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 191
Schedule of aggregate annual debt service on tax-supported indebtedness of the City	Appendix B
Summary of the outstanding and authorized but unissued tax-supported indebtedness of the City	Appendix A – CAFR – Pages 83,93
Par Amount of General Obligation Bonds Outstanding	Appendix C

II. General Obligation Bonds

D. General Obligation Bonds Contact Information.

Issuer Contact: Nadia Sesay
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864
Email: Nadia.Sesay@sfgov.org

Paying Agent Contact: Treasurer of the City and County of San Francisco
City Hall, Room 140
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-4489
Fax: (415) 554-4660
Email: Tom.Carrick@sfgov.org

III. Settlement Obligation Bonds

A. Settlement Obligation Bonds Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificates executed and delivered in connection with the issuance of the following City and County of San Francisco Settlement Obligation Bonds, the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006 (the "Settlement Obligation Bonds Annual Disclosure Report").

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. December 3, 2003	Series 2003-R1 Settlement Obligation Bonds Refunding Settlement Obligation Bonds, Series 2003-R1	<u>\$44,275,000</u>

III. Settlement Obligation Bonds

B. Settlement Obligation Bonds CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	2003-R1 Settlement Obligation Bonds
3/15/2007	7976453Z9
3/15/2008	7976454A3
3/15/2009	7976454B1
3/15/2010	7976454C9
3/15/2011	7976454D7

III. Settlement Obligation Bonds

C. Settlement Obligation Bonds Annual Disclosure Report Information.

The City provides the following information with respect to the City's Settlement Obligation Bonds (see also Section III.A. above) as of **June 30, 2006**:

Information	Location
The audited general purpose financial statements of the City contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006 (the "CAFR")	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller's website at: http://www.sfgov.org/site/controller_page.asp?id=52644
Amount of Series 2003-R1 Refunding Settlement Obligation Bonds Outstanding	\$32,955,000
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Schedule of aggregate annual general fund debt service	Appendix A – CAFR – Pages 83, 86, 90

III. Settlement Obligation Bonds

D. Settlement Obligation Bonds Contact Information.

Issuer Contact: Nadia Sesay
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864
Email: Nadia.Sesay@sfgov.org

Paying Agent Contact: Treasurer of the City and County of San Francisco
City Hall, Room 140
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-4489
Fax: (415) 554-4660
Email: Tom.Carrick@sfgov.org

IV. Certificates of Participation

A. Certificates of Participation Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificates executed and delivered in connection with the execution and delivery of the following City and County of San Francisco Certificates of Participation (collectively, the "COPs"), the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006 (the "COP Annual Disclosure Report").

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. October 1, 1997	Series 1997 COPs (2789 25th Street Property) Series 1997	<u>\$10,615,000</u>
2. August 19, 1999	Series 1999 COPs (555 7 th Street Property) Series 1999	<u>\$8,390,000</u>
2. August 31, 2000	Series 2000 COPs (San Bruno Jail No. 3 Replacement Project) Series 2000	<u>\$137,235,000</u>
4. July 25, 2001	Series 2001-1 COPs Refunding Certificates of Participation (San Francisco Courthouse and 25 Van Ness Avenue Project) Series 2001-1	<u>\$15,460,000</u>
5. October 4, 2001	Series 2001AB COPs (30 Van Ness Avenue Property) Series 2001A (30 Van Ness Avenue Property) Series 2001B	<u>\$37,170,000</u> <u>\$35,320,000</u> <u>\$1,850,000</u>
6. May 13, 2003	Series 2003 COPs (Juvenile Hall Replacement Project) Series 2003	<u>\$41,965,000</u>
7. July 28, 2004	Series 2004-R1 Refunding COPs (San Francisco Courthouse Project) Series 2004-R1	<u>\$39,350,000</u>

IV. Certificates of Participation

B. Certificates of Participation CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	Series 1997 COPs	Series 1999 COPs
9/1/2006	79765DLZ1	79765DMT4
9/1/2007	79765DMA5	79765DMU1
9/1/2008	79765DMB3	79765DMV9
9/1/2009	79765DMC1	79765DMW7
9/1/2010	79765DMD9	79765DMX5
9/1/2011	79765DME7	79765DMY3
9/1/2012	79765DMF4	79765DMZ0
9/1/2013	79765DMG2	79765DNA4
9/1/2014	79765DMH0	79765DNB2
9/1/2015	79765DMJ6	79765DNC0
9/1/2016	79765DMK3	79765DND8
9/1/2017	79765DML1	79765DNE6
9/1/2018		79765DNF3
9/1/2019		79765DNG1
9/1/2020		79765DNH9
9/1/2021		79765DNJ5
9/1/2022		79765DNK2
9/1/2023		79765DNL0
9/1/2024		79765DNM8

IV. Certificates of Participation**B. Certificates of Participation CUSIP Numbers (continued)**

Maturity Date	Series 2000 COPs	Maturity Date	Series 2001-1 COPs
10/1/2006	79765DNU0		
10/1/2007	79765DNV8	4/1/2007	79765DPS3
10/1/2008	79765DNW6	4/1/2008	79765DPT1
10/1/2009	79765DNX4	4/1/2009	79765DPU8
10/1/2010	79765DNY2	4/1/2010	79765DPV6
10/1/2011	79765DNZ9	4/1/2011	79765DPW4
10/1/2012	79765DPA2	4/1/2012	79765DPX2
10/1/2013	79765DPB0	4/1/2013	79765DPY0
10/1/2014	79765DPC8	4/1/2014	79765DPZ7
10/1/2015	79765DPD6	4/1/2015	79765DQA1
10/1/2016	79765DPE4	4/1/2016	79765DQB9
10/1/2017	79765DPF1	4/1/2017	79765DQC7
10/1/2018	79765DPG9		
10/1/2019	79765DPH7		
10/1/2020	79765DPJ3		
10/1/2021	79765DPK0		
10/1/2022	-		
10/1/2023	-		
10/1/2024	-		
10/1/2025	-		
10/1/2026	79765DPL8		
10/1/2027	-		
10/1/2028	-		
10/1/2029	-		
10/1/2030	-		
10/1/2031	-		
10/1/2032	-		
10/1/2033	79765DPM6		

IV. Certificates of Participation

B. Certificates of Participation CUSIP Numbers (continued)

Maturity Date	Series 2001A COPs	Series 2001B COPs	Maturity Date	Series 2003 COPs
9/1/2006	79765DQM5	79765DRT9	3/1/2007	79765DRV4
9/1/2007	79765DQN3		3/1/2008	79765DRW2
9/1/2008	79765DQP8		3/1/2009	79765DRX0
9/1/2009	79765DQQ6		3/1/2010	79765DRY8
9/1/2010	79765DQR4		3/1/2011	79765DRZ5
9/1/2011	79765DQS2		3/1/2012	79765DSA9
9/1/2012	79765DQT0		3/1/2013	79765DSB7
9/1/2013	79765DQU7		3/1/2014	79765DSC5
9/1/2014	79765DQV5		3/1/2015	79765DSD3
9/1/2015	79765DQW3		3/1/2016	79765DSE1
9/1/2016	79765DQX1		3/1/2017	79765DSF8
9/1/2017	79765DQY9		3/1/2018	79765DSG6
9/1/2018	79765DQZ6		3/1/2019	79765DSH4
9/1/2019	79765DRA0		3/1/2020	79765DSJ0
9/1/2020	79765DRB8		3/1/2021	79765DSK7
9/1/2021	79765DRC6		3/1/2022	79765DSL5
9/1/2022	79765DRD4		3/1/2023	79765DSM3
9/1/2023	-		3/1/2024	79765DSN1
9/1/2024	-		3/1/2025	-
9/1/2025	-		3/1/2026	-
9/1/2026	79765DRH5		3/1/2027	-
9/1/2027	-		3/1/2028	797645DSP6
9/1/2028	-		3/1/2029	-
9/1/2029	-		3/1/2030	-
9/1/2030	-		3/1/2031	79765DSQ4
9/1/2031	79765DRN2		3/1/2032	-
			3/1/2033	-
			3/1/2034	79765DSR2

IV. Certificates of Participation
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B. Certificates of Participation CUSIP Numbers (continued)

Maturity Date	Series 2004-R1
4/1/2007	79765DSS0
4/1/2008	79765DST8
4/1/2009	79765DSU5
4/1/2010	79765DSV3
4/1/2011	79765DSW1
4/1/2012	79765DSX9
4/1/2013	79765DSY7
4/1/2014	79765DSZ4
4/1/2015	79765DTA8
4/1/2016	79765DTB6
4/1/2017	79765DTC4
4/1/2018	79765DTD2
4/1/2019	79765DTE0
4/1/2020	79765DTF7
4/1/2021	79765DTG5

IV. Certificates of Participation
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C. Certificates of Participation Annual Disclosure Report Information.

Pursuant to the Continuing Disclosure Certificates executed in connection with the City's COPs (see also Section IV.A. above), the City hereby provides the following information as of **June 30, 2006**:

Information	Location
The audited general purpose financial statements of the City contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006 (the "CAFR")	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller's website at: http://www.sfgov.org/site/controller_page.asp?id=52644
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 188

IV. Certificates of Participation
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C. Certificates of Participation Annual Disclosure Report Information (continued)

Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 191
Schedule of aggregate annual debt service on tax-supported indebtedness of the City	Appendix B
Summary of authorized, but unissued, tax-supported indebtedness including lease revenue bonds	Appendix A – CAFR – Page 93-94
Summary of aggregate annual lease payment obligations supported by the City’s General Fund with respect to outstanding lease revenue bonds and certificates of participation	Appendix A – CAFR – Pages 83, 86, 90

COP Issue	Par Amount Outstanding	Reserve Fund Balance	Status of Completion of Construction/Acquisition
Series 1997 COPs	\$7,430,000	\$823,025	Completed
Series 1999 COPs	\$7,220,000	\$600,503	Completed
Series 2000 COPs	\$132,975,000	Surety Bond (\$10,096,000)	Approximately 94% Completed *
Series 2001-1 COPs	\$12,150,000	\$1,491,416	N/A (Refunding)
Series 2001AB COPs	\$34,665,000	\$2,386,750	Completed
Series 2003 COPs	\$41,185,000	\$2,804,444	Approximately 94% Completed
Series 2004-R1 COPs	\$39,350,000	Surety Bond (\$3,935,000)	N/A (Refunding)
Total:	\$274,975,000		

* Completion of Series 2000 COPs occurred after June 30, 2006.

IV. Certificates of Participation

D. Certificates of Participation Contact Information

Issuer Contact (all): Nadia Sesay
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864
Email: Nadia.Sesay@sfgov.org

Trustee Contact:

Series 1997 COPs: Hank Helley
(25th Street) Corporate Trust Department
Union Bank of California
350 California Street, 11th Floor
San Francisco, CA 94101
Telephone: (415) 273-2514
Fax: (415) 273-2492
Email: hank.helley@uboc.com

Series 1999 COPs: Aracely Padilla
(7th Street) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Telephone: (213) 614-3348
Fax: (213) 614-3355
Email: Aracely.Padilla@WellsFargo.com

Series 2000 COPs: Aracely Padilla
(San Bruno Jail) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Telephone: (213) 614-3348
Fax: (213) 614-3355
Email: Aracely.Padilla@WellsFargo.com

IV. Certificates of Participation

D. Certificates of Participation Contact Information (continued)

Trustee Contact:

Series 2001-1 COPs: Andrew Fung
(25 Van Ness Refunding) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2001AB COPs: Andrew Fung
(30 Van Ness) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2003A COPs: Andrew Fung
(Juvenile Hall) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2004-R1: Andrew Fung
(Courthouse Refunding U.S. Bank Trust, N.A.
COPs) One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

V. Parking Authority of the City and County of San Francisco Revenue Bonds

A. Parking Authority Bonds Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificates executed and delivered in connection with the issuance of the following Parking Authority Revenue Bonds (collectively, the "Parking Authority Bonds"), the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006, (the "Parking Authority Bonds Annual Disclosure Report").

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. November 19, 1998	Series 1998-1 Bonds Lease Revenue Refunding Bonds, Series 1998-1 (Moscone Center Garage Project)	<u>\$6,895,000</u>
2. May 20, 1999	Series 1999-1 Bonds Parking Meter Revenue Refunding Bonds, Series 1999-1	<u>\$22,390,000</u>
3. July 12, 2000	Series 2000A Bonds Lease Revenue Bonds, Series 2000A (North Beach Parking Garage Project)	<u>\$8,185,000</u>

V. Parking Authority of the City and County of San Francisco Revenue Bonds

B. Parking Authority Bonds CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The Parking Authority of the City and County of San Francisco is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	Series 1998-1 Bonds
12/1/2006	797700DD0
12/1/2007	797700DE8
12/1/2008	797700DF5

Maturity Date	Series 1999-1 Bonds
6/1/2007	797700DP3W
6/1/2008	797700DQ1W
6/1/2009	797700DR9W
6/1/2010	797700DS7W
6/1/2011	797700DT5W
6/1/2012	797700DU2W
6/1/2013	797700DV0W
6/1/2014	797700DW8W
6/1/2015	797700DX6W
6/1/2016	797700DY4W
6/1/2017	797700DZ1W
6/1/2018	797700EA5W
6/1/2019	797700EB3W
6/1/2020	797700EC1W

Maturity Date	Series 2000A Bonds
6/15/2007	797700EH0
6/15/2008	797700EJ6
6/15/2009	797700EK3
6/15/2010	797700EL1
6/15/2011	797700EM9
6/15/2012	797700EN7
6/15/2013	797700EP2
6/15/2014	797700EQ0
6/15/2015	797700ER8
6/15/2016	797700ES6
6/15/2017	797700ET4
6/15/2018	797700EU1
6/15/2019	797700EV9
6/15/2020	797700EW7
6/15/2021	797700EX5
6/15/2022	797700EY3

V. Parking Authority of the City and County of San Francisco Revenue Bonds

C. Parking Authority Bonds Annual Disclosure Report Information.

Pursuant to the Continuing Disclosure Certificates executed in connection with the issuance of the Parking Authority's Revenue Bonds (see also Section V.A. above), the City hereby provides the following information as of **June 30, 2006**:

Information	Location
The audited general purpose financial statements of the City contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006 (the "CAFR")	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller's website at: http://www.sfgov.org/site/controller_page.asp?id=52644
Summary of budgeted general fund revenues and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 188
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 191
Schedule of aggregate annual debt service on tax-supported indebtedness of the City	Appendix B
Summary of lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and COPs	Appendix A – CAFR – Pages 83, 86, 90
With respect to the Series 1999-1 Bonds, Meter revenues (including number of meters), supplemental reimbursements, if any, and debt service coverage	Appendix D
Summary of authorized but unissued, tax supported indebtedness of the City	Appendix A – CAFR – Page 93

Parking Authority Bond Issue	Par Amount Outstanding	Reserve Fund Balance
Series 1998-1 Bonds	\$2,340,000	Surety Bond (\$831,300)
Series 1999-1 Bonds	\$20,150,000	Surety Bond (\$2,031,750)
Series 2000A Bonds	\$7,115,000	\$705,169
Total	\$29,605,000	

V. Parking Authority of the City and County of San Francisco Revenue Bonds

D. Parking Authority Bonds Contact Information.

Issuer Contact (all): Ronald Szeto
Parking Authority of the City and County of San Francisco
1 South Van Ness 7th Floor
San Francisco, CA 94103
Telephone: (415) 701-4746
Fax: (415) 701-4736
Email: Ronald.Szeto@sfgov.org

Trustee Contact (all): Hank Helley
Corporate Trust Department
Union Bank of California
350 California Street, 11th Floor
San Francisco, CA 94104
Telephone: (415) 273-2514
Fax: (415) 273-2492
Email: hank.helley@uboc.com

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

A. Finance Corporation Lease Revenue Bonds Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificates executed and delivered in connection with the issuance of the following City and County of San Francisco Finance Corporation Lease Revenue Bonds (collectively, the “Finance Corporation Bonds”), the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006 (the “Finance Corporation Annual Disclosure Report”).

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. June 17, 1997	Series 1997 LRBs Lease Revenue Bonds (Combined Emergency Communications Center) Series 1997	<u>\$22,635,000</u>
2. January 22, 1998	Series 1998-I LRBs Lease Revenue Bonds (Citywide Emergency Radio System) Series 1998-I	<u>\$31,250,000</u>
3. July 2, 1998	Series 1998 LRBs Lease Revenue Bonds (Combined Emergency Communications System Equipment) Series 1998	<u>\$23,295,000</u>
4. February 4, 1999	Series 1999-I LRBs Lease Revenue Bonds (Citywide Emergency Radio System) Series 1999-I	<u>\$18,665,000</u>
5. N/A	Series 2000-1, 2000-2, 2000-3 LRBs ² Lease Revenue Bonds (Moscone Center Expansion Project) Series 2000-1 Lease Revenue Bonds (Moscone Center Expansion Project) Series 2000-2 Lease Revenue Bonds (Moscone Center Expansion Project) Series 2000-3	<u>\$157,500,000</u> \$52,500,000 \$52,500,000 \$52,500,000

² This information is provided as a courtesy. The Series 2000-1, 2000-2 and 2000-3 LRBs are variable rate bonds and therefore, the City has no continuing obligation to provide information on this bond issue as part of its Annual Report in this or any subsequent filing.

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

**A. Finance Corporation Lease Revenue Bonds Continuing Disclosure Certificates
(continued)**

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
6. May 1, 2002	Series 2002A LRBs Lease Revenue Bonds, Series 2002A (Equipment Lease Program)	<u>\$7,900,000</u>
7. April 1, 2003	Series 2003A LRBs Lease Revenue Bonds, Series 2003A (Equipment Lease Program)	<u>\$10,975,000</u>
8. June 23, 2004	Series 2004A LRBs Lease Revenue Bonds, Series 2004A (Equipment Lease Program)	<u>\$9,530,000</u>
9. October 26, 2005	Series 2005A LRBs Lease Revenue Bonds, Series 2005A (Equipment Lease Program)	<u>\$9,420,000</u>
10. April 5, 2006	Series 2006A LRBs Lease Revenue Bonds, Series 2006A (Equipment Lease Program)	<u>\$10,135,000</u>
11. November 2, 2006	Series 2006 LRBs ³ Lease Revenue Bonds, Series 2006 (Open Space Fund – Various Park Projects)	<u>\$27,005,000</u>

³ The Series 2006 Lease Revenue Bonds, (Open Space Fund – Various Park Projects) were issued after June 30, 2006; information on these bonds is provided as a courtesy.

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

B. Finance Corporation Lease Revenue Bonds CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City and County of San Francisco Finance Corporation is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	Series 2002A LRBs	Series 2003A LRBs	Series 2004A LRBs	Series 2005A LRBs	Series 2006A LRBs
10/1/2006	79765XJN7	79765XJW7	79765XKE5	79765XKS4	79765XKX3
4/1/2007	79765XJP2	79765XJX5	79765XKF2	79765XKN5	79765XKY1
10/1/2007	79765XJQ0	79765XJY3	79765XKG0	79765XKT2	79765XKZ8
4/1/2008		79765XJZ0	79765XKH8	79765XKP0	79765XLA2
10/1/2008		79765XKA3	79765XKJ4	79765XKU9	79765XLB0
4/1/2009			79765XKK1	79765XKQ8	79765XLC8
10/1/2009			79765XKL9	79765XKV7	79765XLD6
4/1/2010				79765XKR6	79765XLE4
10/1/2010				79765XKW5	79765XLF1
4/1/2011					79765XLG9
10/1/2011					79765XLH7

Maturity Date	Series 1997 LRBs	Series 1998-I LRBs	Series 1998 LRBs	Series 1999-I LRBs
4/1/2007	79765XDN3	79765XFF8	79765XGA8	79765XHK5
4/1/2008	79765XDP8	79765XFG6	79765XGB6	79765XHL3
4/1/2009	79765XDQ6	79765XFH4	79765XGC4	79765XHM1
4/1/2010	79765XDR4	79765XFJ0	79765XGD2	79765XHN9
4/1/2011	79765XDS2	79765XFK7	79765XGE0	79765XHP4
4/1/2012	79765XDT0	79765XFL5	79765XGF7	79765XHQ2
4/1/2013	79765XDU7	79765XFM3	79765XGG5	79765XHR0
4/1/2014	79765XDV5	79765XFN1	79765XGH3	
4/1/2015	79765XDW3	79765XFP6	79765XGJ9	
4/1/2016	79765XDX1	79765XFQ4	79765XGK6	
4/1/2017	79765XDY9	79765XFR2	79765XGL4	
4/1/2018	-	79765XFS0	79765XGM2	
4/1/2019	-		79765XGN0	
4/1/2020	79765XEB8			
4/1/2021	-			
4/1/2022	-			
4/1/2023	-			
4/1/2024	79765XEF9			

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

B. Finance Corporation Lease Revenue Bonds CUSIP Numbers (continued)

Maturity Date	Series 2000-1 LRBs ²	Series 2000-2 LRBs ²	Series 2000-3 LRBs ²
4/1/2030	79765XJC1	79765XJD9	79765XJE7

Maturity Date	Series 2006 ³ LRBs
7/1/2007	79765XLJ3
7/1/2008	79765XLK0
7/1/2009	79765XLL8
7/1/2010	79765XLM6
7/1/2011	79765XLN4
7/1/2012	79765XLP9
7/1/2013	79765XLQ7
7/1/2014	79765XLR5
7/1/2015	79765XLS3
7/1/2016	79765XLT1
7/1/2017	79765XLU8
7/1/2018	79765XLV6
7/1/2019	79765XLW4
7/1/2020	79765XLX2
7/1/2021	79765XLY0
7/1/2022	79765XLZ7
7/1/2023	79765XMA1
7/1/2024	79765XMB9
7/1/2025	79765XMC7
7/1/2026	-
7/1/2027	79765XMD5

² This information is provided as a courtesy. The Series 2000-1, 2000-2 and 2000-3 LRBs are variable rate bonds and therefore, the City has no continuing obligation to provide information on this bond issue as part of its Annual Report in this or any subsequent filing.

³ The Series 2006 Lease Revenue Bonds, (Open Space Fund – Various Park Projects) were issued after June 30, 2006; information on these bonds is provided as a courtesy.

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

C. Finance Corporation Lease Revenue Bonds Annual Disclosure Report Information.

Pursuant to the Continuing Disclosure Certificates executed in connection with the Finance Corporation Bonds (see also Section VI.A. above), the City hereby provides the following information as of **June 30, 2006**:

Information	Location
The audited general purpose financial statements of the City contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006 (the "CAFR")	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller's website at: http://www.sfgov.org/site/controller_page.asp?id=52644
Summary of budgeted general fund revenues and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 188
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 191
Schedule of aggregate annual debt service on tax-supported indebtedness of the City	Appendix B
Summary of authorized but unissued, tax-supported indebtedness of the City	Appendix A – CAFR – Page 93
Summary of lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and COPs	Appendix A – CAFR – Pages 83, 86, 90

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

**C. Finance Corporation Lease Revenue Bonds Annual Disclosure Report Information
(continued)**

Finance Corporation Bond Issue	Par Amount Outstanding	Reserve Fund Balance	Project Description	Status of Acquisition of Equipment and/or Project
Series 1997 LRBs	\$18,575,000	\$1,706,064	Combined Emergency Communications Center	Completed
Series 1998-I LRBs	\$12,265,000	\$2,027,254	Emergency Radio System	Completed
Series 1998 LRBs	\$9,640,000	\$2,329,500	Emergency Center Equipment	Completed
Series 1999-I LRBs	\$10,550,000	\$1,756,081	Emergency Radio System	Completed
Series 2000-1,-2,-3 LRBs ²	\$151,200,000	N/A	Moscone West Convention Center	Completed
Series 2002A LRBs	\$990,000	\$138,358	Equipment	Completed
Series 2003A LRBs	\$3,840,000	\$557,196	Equipment	Approximately 99% Complete
Series 2004A LRBs	\$5,780,000	\$729,803	Equipment	Approximately 95% Complete
Series 2005A LRBs	\$8,290,000	\$951,360	Equipment	Approximately 90% Complete
Series 2006A LRBs	\$10,135,000	\$1,014,335	Equipment	Approximately 80% Complete
Series 2006 LRBs ³	N/A	\$1,999,581	Recreation and Park Facilities	N/A
Totals:	\$231,265,000			

² This information is provided as a courtesy. The Series 2000-1, 2000-2 and 2000-3 LRBs are variable rate bonds and therefore, the City has no continuing obligation to provide information on this bond issue as part of its Annual Report in this or any subsequent filing.

³ The Series 2006 Lease Revenue Bonds, (Open Space Fund – Various Park Projects) were issued after June 30, 2006; information on these bonds is provided as a courtesy and is not included in the total par amount outstanding.

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

D. Finance Corporation Bonds Contact Information

Issuer Contact (all): Nadia Sesay
City and County of San Francisco Finance Corporation
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864
Email: Nadia.Sesay@sfgov.org

Trustee Contact: Andrew Fung
Series 1997 LRBs: U.S. Bank Trust, N.A.
(911 Project) One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 1998-I LRBs: Hank Helley
(Emergency Radio) Corporate Trust Department
Union Bank of California
350 California Street, 11th Floor
San Francisco, CA 94104
Telephone: (415) 273-2514
Fax: (415) 273-2492
Email: hank.helley@uboc.com

Series 1998 LRBs: Hank Helley
(911 Equipment) Corporate Trust Department
Union Bank of California
350 California Street, 11th Floor
San Francisco, CA 94104
Telephone: (415) 273-2514
Fax: (415) 273-2492
Email: hank.helley@uboc.com

Series 1999-I LRBs: Hank Helley
(Emergency Radio) Corporate Trust Department
Union Bank of California
350 California Street, 11th Floor
San Francisco, CA 94104
Telephone: (415) 273-2514
Fax: (415) 273-2492
Email: hank.helley@uboc.com

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

D. Finance Corporation Bonds Contact Information (continued)

Trustee Contact:

Series 2000-1,-2,-3 LRBs: Aracely Padilla
(Moscone Expansion Project) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90017
Telephone: (213) 614-3348
Fax: (213) 614-3355
Email: Aracely.Padilla@WellsFargo.com

Series 2002A LRBs: Andrew Fung
(Equipment Lease Program) Corporate Trust Services
U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2003A LRBs: Andrew Fung
(Equipment Lease Program) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2004A LRBs: Andrew Fung
(Equipment Lease Program) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

VI. City and County of San Francisco Finance Corporation Lease Revenue Bonds

D. Finance Corporation Bonds Contact Information

Trustee Contact:

Series 2005A LRBs: Andrew Fung
(Equipment Lease Program) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2006A LRBs: Andrew Fung
(Equipment Lease Program) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Series 2006 LRBs: Andrew Fung
(Open Space Fund) U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

VII. Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds

A. Redevelopment Agency Lease Revenue Bonds Continuing Disclosure Certificates.

Pursuant to the following Continuing Disclosure Certificate executed and delivered in connection with the issuance of the following Redevelopment Agency of the City and County of San Francisco Bonds (the "Redevelopment Agency Bonds"), the City hereby provides its annual disclosure report for the fiscal year ended June 30, 2006 (the "Redevelopment Agency Annual Disclosure Report"). Please note that the City is the obligor for the Redevelopment Agency's Series 2002 and 2004 Bonds and therefore has included the Redevelopment Agency Annual Disclosure Report in this Annual Report. Information on other Redevelopment Agency bond issues can be found by contacting the Redevelopment Agency directly as noted below.

<u>Continuing Disclosure Certificate</u>	<u>Issue Name</u>	<u>Original Par Amount</u>
1. January 9, 2003	Series 2002 LRBs Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center)	<u>\$67,670,000</u>
2. June 10, 2004	Series 2004 LRBs Lease Revenue Refunding Bonds, Series 2004 (George R. Moscone Convention Center)	<u>\$33,565,000</u>

VII. Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds

B. Redevelopment Agency Lease Revenue Bonds CUSIP Numbers.

Note regarding all CUSIP numbers contained herein: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City is not responsible for the accuracy or completeness of such CUSIP numbers. Furthermore, issuer and paying agent/trustee contact information is also provided for convenience and no assurances can be made that such information will not change.

Maturity Date	Series 2002 Bonds LRBs	Series 2004 Bonds LRBs
7/1/2006	79765VCM0	
7/1/2007	79765VCN8	79765VDF4
7/1/2008	79765VCP3	79765VDG2
7/1/2009	79765VCQ1	79765VDH0
7/1/2010	79765VCR9	79765VDJ6
7/1/2011	79765VCS7	79765VDK3
7/1/2012	79765VCT5	79765VDL1
7/1/2013	79765VCU2	79765VDM9
7/1/2014	79765VCV0	79765VDN7
7/1/2015	79765VCW8	79765VDP2
7/1/2016	79765VCX6	79765VDQ0
7/1/2017	79765VCY4	79765VDR8
7/1/2018	79765VCZ1	79765VDS6
7/1/2019		79765VDT4
7/1/2020		79765VDU1
7/1/2021		79765VDV9
7/1/2022		79765VDW7
7/1/2023		79765VDX5
7/1/2024		79765VDY3

VII. Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds

C. Redevelopment Agency Lease Revenue Bonds Annual Disclosure Report Information.

The City provides the following information with respect to the Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds. (see also Section VII.A. above) as of **June 30, 2006:**

Information	Location
The audited general purpose financial statements of the City contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006 (the "CAFR")	Appendix A – CAFR - Pages 1 through 178 The CAFR may also be viewed in its entirety online or downloaded from the Controller's website at: http://www.sfgov.org/site/controller_page.asp?id=52644
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 16-17, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 188
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 191
Schedule of aggregate annual tax-supported indebtedness	Appendix B
Summary of authorized but unissued, tax-supported indebtedness of the City	Appendix A – CAFR – Page 93

Redevelopment Agency Bond Issue	Par Amount Outstanding	Reserve Fund Balance
Series 2002 LRBs	\$67,230,000	Surety Bond (\$13,763,113)
Series 2004 LRBs	\$33,565,000	\$3,442,800
Total	\$100,795,000	

VII. Redevelopment Agency of the City and County of San Francisco Lease Revenue Bonds

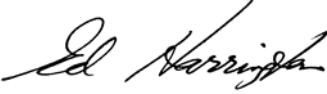
D. Redevelopment Agency Bonds Contact Information.

Issuer Contact: Mario Menchini
Redevelopment Agency of the City and County of San Francisco
Senior Financial Analyst
777 Golden Gate Avenue
San Francisco, CA 94102
Telephone: (415) 749-2471
Fax: (415) 749-2565
Email: Mario.Menchini@sfgov.org

Trustee Contact: Andrew Fung
U.S. Bank Trust, N.A.
One California St., Ste 2550
San Francisco, CA 94111
Telephone: (415) 273-4547
Fax: (415) 273-4591
Email: Andrew.Fung@usbank.com

Dated: March 23, 2007

CITY AND COUNTY OF SAN FRANCISCO

By: 

Edward Harrington
Controller

APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(Please go to the following URL for the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006:

http://www.sfgov.org/site/controller_page.asp?id=52644)

APPENDIX B

**SCHEDULE OF AGGREGATE ANNUAL DEBT SERVICE ON
TAX-SUPPORTED INDEBTEDNESS**

CITY AND COUNTY OF SAN FRANCISCO			
Direct Tax Supported Debt Service			
As of June 30, 2006^[1]			
<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2007	75,950,000	59,047,763	134,997,763
2008	85,175,000	55,419,345	140,594,345
2009	89,040,000	51,395,467	140,435,467
2010	90,065,000	47,130,316	137,195,316
2011	91,860,000	42,671,254	134,531,254
2012	80,470,000	38,355,078	118,825,078
2013	71,665,000	34,471,588	106,136,588
2014	66,400,000	30,951,144	97,351,144
2015	59,660,000	27,667,236	87,327,236
2016	62,615,000	23,332,588	85,947,588
2017	52,830,000	20,595,758	73,425,758
2018	51,635,000	19,284,447	70,919,447
2019	52,410,000	16,699,521	69,109,521
2020	43,965,000	14,089,447	58,054,447
2021	39,965,000	11,987,992	51,952,992
2022	34,575,000	9,994,274	44,569,274
2023	33,810,000	8,108,048	41,918,048
2024	31,815,000	6,572,656	38,387,656
2025	27,175,000	5,146,908	32,321,908
2026	16,765,000	3,922,628	20,687,628
2027	17,530,000	3,224,950	20,754,950
2028	18,330,000	2,465,377	20,795,377
2029	18,840,000	1,670,587	20,510,587
2030	<u>19,660,000</u>	<u>853,247</u>	<u>20,513,247</u>
TOTAL^{[2][3]}	\$1,232,205,000	\$535,057,619	\$1,767,262,619

^[1] The City's only outstanding direct tax supported debt is general obligation bonded indebtedness. This table does not reflect any debt other than direct tax supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

^[2] For purposes of this table, the interest payments on the General Obligation Bonds Series 2005B, C, D

^[3] Total debt does not include the Series 2006-R1 and Series 2006-R2 Bonds issued after June 30, 2006.

Source: Office of Public Finance, City and County of San Francisco.

APPENDIX C

CITY AND COUNTY OF SAN FRANCISCO General Obligation Bonds Outstanding (as of June 30, 2006) ^[1]

<u>General Obligation Bond Issue</u>	<u>Series</u>	<u>Par Amount Outstanding</u>
Refunding General Obligation Bonds, Series 1997-1	1997-1	261,390,000
Golden Gate Park Improvements	1997A	16,705,000
School District Facilities Improvements	1997B	14,660,000
Taxable Affordable Housing Bonds	1998A	14,780,000
Taxable Affordable Housing Bonds	1999A	15,765,000
Educational Facilities Bonds - Community College District	1999A	15,285,000
Educational Facilities Bonds - SF Unified School District	1999B	45,370,000
Zoo Facilities Bonds	1999C	12,630,000
Asian Art Museum Project	1999D	12,660,000
Educational Facilities Bonds - Community College District	2000A	23,755,000
Zoo Facilities Bonds	2000B	13,990,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2000C	4,960,000
Affordable Housing Bonds	2000D	16,020,000
Golden Gate Park Improvements	2001A	13,970,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2001B	11,510,000
Affordable Housing Bonds	2001C	14,100,000
Taxable Affordable Housing Bonds	2001D	19,640,000
Branch Library Facilities Improvement Bonds	2001E	14,590,000
Refunding General Obligation Bonds, Series 2002-R1	2002-R1	96,065,000
Zoo Facilities Bonds	2002A	5,295,000
Branch Library Facilities Improvement Bonds	2002B	19,730,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2003A	18,560,000
Educational Facilities Bonds - SF Unified School District	2003B	26,105,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2004A	64,130,000
California Academy of Sciences Improvement	2004B	7,525,000
Refunding General Obligation Bonds, Series 2004-R1	2004R-1	9,360,000
Laguna Honda Hospital	2005A	110,000,000
Laguna Honda Hospital	2005B	40,000,000
Laguna Honda Hospital	2005C	40,000,000
Laguna Honda Hospital	2005D	40,000,000
California Academy of Sciences Improvement	2005E	76,480,000
Steinhart Aquarium Improvement	2005F	28,180,000
Branch Library Facilities Improvement Bonds	2005G	32,765,000
Zoo Facilities Bonds	2005H	7,230,000
Laguna Honda Hospital	2005I	<u>69,000,000</u>
	TOTAL	\$1,232,205,000

^[1] Total debt does not include the Series 2006-R1 and Series 2006-R2 Bonds after June 30, 2006.

Source: Mayor's Office of Public Finance, City and County of San Francisco

APPENDIX D

PARKING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO PARKING METER REVENUE REFUNDING BONDS, SERIES 1999-1

METER REVENUES, SUPPLEMENTAL REIMBURSEMENTS, IF ANY, AND DEBT SERVICE COVERAGE

HISTORICAL METER REVENUES

<u>Fiscal Year</u>	<u>On-Street Meter Revenues</u>	<u>Number of Meters</u>
1991/92	\$10,249,617	19,978
1992/93	\$ 8,603,292	20,078
1993/94	\$12,742,590	20,356
1994/95	\$12,936,446	20,456
1995/96	\$13,076,291	21,195
1996/97	\$13,181,615	21,677
1997/98	\$12,550,727	21,900
1998/99	\$12,672,870	21,979
1999/00	\$12,092,289	21,979
2000/01	\$11,888,762	21,095
2001/02	\$11,840,862	22,544
2002/03	\$13,218,618	22,531
2003/04	\$23,173,682	22,963
2004/05	\$24,148,426	23,041
2005/06	\$28,520,170	23,713

CURRENT PARKING METER RATES AND INVENTORY AS OF JUNE 30, 2006

<u>Category</u>	<u>Hourly Rate</u>	<u>On Street Meters</u>	<u>Off Street Meters</u>	<u>Total Meters</u>
Zone 1	\$3.00	3,996		3,996
Zone 2	\$2.50	4,052	35	4,087
Zone 3	\$1.50	13,927	581	14,508
Zone 4	\$2.50	443		443
Motorcycle 1	\$0.25	592		592
Motorcycle 2	\$0.15	256		256
Motorcycle 3	\$0.10	442		442
Motorcycle 4	\$0.15	5		5
Totals		23,713	616	24,329

SUPPLEMENTAL REIMBURSEMENTS

The Parking Authority did not receive any supplemental reimbursements in the fiscal year ending June 30, 2006.

DEBT SERVICE COVERAGE

Fiscal Year ending June 30, 2006

On-Street Meter Revenues ¹	\$28,520,170
Maximum Annual Debt Service Coverage	\$2,006,108
	14.22

¹ The Parking Meter Revenue Refunding Bonds, Series 1999-1, pledges against meter revenues from on-street parking meters only. Meter revenues displayed in this report excludes revenues from meters at the City-owned off-street parking lots.

Source: Municipal Transportation Agency – Department of Parking and Traffic.

APPENDIX E

FY 2006-07 SIX-MONTH BUDGET STATUS REPORT

(Please go to the following URL for the City's FY 2006-07 Six-Month Budget Status Report;

http://www.sfgov.org/site/uploadedfiles/controller/budget_information/Status/6_0607.PDF)



Edward Harrington
Controller

Monique Zmuda
Deputy Controller

February 2, 2007

The Honorable Gavin Newsom
Mayor, City and County of San Francisco
Room 200, City Hall

The Honorable Board of Supervisors
Room 244, City Hall

Re: **FY 2006-07 Six-Month Budget Status Report**

Dear Mayor Newsom, Ladies and Gentlemen:

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. This report is the Six-Month Budget Status Report that is based on sources of funds received and uses of funds expended from July 1, 2006 through December 31, 2006. The purpose of the report is to apprise the City's policy makers of the current and projected budgetary status of the General Fund and other key operating funds.

I. OVERVIEW

We project an available fund balance of \$126.62 million for the General Fund by the end of fiscal year 2006-2007 (FY 2006-07). This surplus is primarily attributed to the additional fund balance available from the prior year, which was larger than previously assumed due to both better revenue growth and expenditure savings in FY 2005-06 as well as further continuing revenue growth in the current fiscal year and some projected expenditure savings. For comparison, the FY 2005-06 year-end available fund balance was \$145.58 million.

The \$126.62 million projected fund balance is \$26.87 million better than previously projected during our first quarter review. With that first quarter and the prior-year information published in the City's Comprehensive Annual Financial Report (CAFR) in December, the Mayor's Office had projected a \$64 million deficit for the FY 2007-08 budget year. The projected current year-end balance is based on current revenue and spending patterns. Actual year-end balances may differ due to changes in revenues, spending rates, the amount of further supplemental appropriations, and releases of reserves ultimately approved by the Mayor and/or the Board. The narrative on the following pages provides a summary of key budgetary issues, helping to frame the key uncertainties present – notably the strength and timing of the economic recovery and associated revenue growth.

Chart A: Six-Month General Fund Budget Summary – FY 2006-07, (millions)

	AAO Original Budget	Revised Budget	Year-End Projection	Projected Incremental Available Fund Balance
SOURCES:				
Prior-Year Fund Balance	\$ 99.48	\$ 99.48	\$ 145.58	\$ 46.11
Prior-Year Reserves Budgeted in the Current Year (CY)	25.65	25.65	35.29	9.64
Subtotal Sources - Prior Year	\$ 125.13	\$ 125.13	\$ 180.87	\$ 55.75
Current Year Revenues	2,522.53	2,536.56	2,579.12	42.56
Current Year Transfers-In	57.16	58.53	58.53	-
Subtotal Sources - CY Revenues & Transfers-In	\$ 2,579.69	\$ 2,595.09	\$ 2,637.65	\$ 42.56
Current Year Transfers (Out), Operating	(40.27)	(40.27)	(40.27)	-
Carryforwards & Transfers, net	-	209.30	209.30	-
Subtotal Sources - CY, Carryforwards & Transfers	\$ 2,539.42	\$ 2,764.12	\$ 2,806.68	\$ 42.56
Subtotal Sources - PY, CY, Carryforwards & Transfers	\$ 2,664.55	\$ 2,889.24	\$ 2,987.55	\$ 98.31
Fund Balance - Used for Supplemental Appropriation		0.05		(0.05)
Reserves - Used for Supplemental Appropriation		2.72		(2.72)
Total Sources	\$ 2,664.55	\$ 2,892.01	\$ 2,987.55	\$ 95.54
USES:				
Operating Expenditures, net of recoveries	2,029.04	2,129.73	2,112.42	17.31
Project Expenditures	143.16	253.37	253.37	-
Capital Expenditures	29.67	31.29	31.29	-
Facilities Maintenance	13.27	12.70	12.70	-
Subtotal - Current Year Expenditures	2,215.13	2,427.09	2,409.78	17.31
Baseline Funding Requirement Transfers Out	196.26	196.26	199.99	(3.72)
Subsidy Transfers to Hospitals & Other Transfers	192.78	198.74	197.54	1.20
Reserves	35.38	49.00	49.00	-
Total Uses - Current Year	\$ 2,639.55	\$ 2,871.09	\$ 2,856.31	\$ 14.79
Required Reserves from Current Year Resources				
Rainy Day - Economic Stabilization Reserve			-	-
Rainy Day - Capital & One-Time Uses Reserve			-	-
Budget Savings - Citywide Incentive Reserve			4.63	(4.63)
Budget Savings - Recreation & Park Reserve			-	-
Total Uses - Current Year & Set-Asides	\$ 2,639.55	\$ 2,871.09	\$ 2,860.93	\$ 10.16
GENERAL FUND ENDING BALANCE	\$ 25.00	\$ 20.92	\$ 126.62	\$ 105.70

General Fund Balance & Prior Year Reserves

At the time the budget for FY 2006-07 was prepared, we anticipated starting the current fiscal year with a General Fund beginning balance of \$99.48 million and prior-year reserves of \$25.65 million. When the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006 was completed in December 2006, we confirmed that the ending balance from the previous fiscal year was \$145.58 million, along with prior-year reserve balances of \$35.29 million. As a result, there is an additional \$46.11 million of prior-year fund balance and \$9.64 million in prior-year reserves available from FY 2005-06 that was not anticipated for FY 2006-07 budget.

Current Revenues and Transfers In

We project revenues and transfers-in to be \$42.56 million better than the revised FY 2006-07 budget. The revenue surplus is primarily due to higher Property Tax, Hotel Room Tax, Interest Income and Property Transfer Tax revenue. Some shortfalls in Social Service Subventions are projected with more than offsetting expenditure savings in the Human Services Agency. Similarly, shortfalls in Health Department charges are more than offset by net savings at the Department of Public Health. In addition to realized revenues through the first six months of FY 2006-07, posted activity through January 31, 2007 has been incorporated into our revenue projections. Our projections are also based on discussions with department staffs and industry experts, as well as analyses of key economic indicators and forecasts. Chart B below provides a high-level summary of key revenue changes from budget. Chart F (on page 10) provides a more detailed revenue summary followed by descriptive narrative for each major category on the following pages.

Chart B: Revenues & Transfers In Budget Summary – FY 2006-07, (millions)

Revenues & Transfers-In, US\$ Millions	FY 2005-06	FY 2006-07			<i>sort order</i>
	Year-End Actuals	Original Budget	Revised Budget	6-Month Projection	Surplus / (Shortfall) as of 6-Month
Property Tax	\$ 782.69	\$ 837.54	\$ 837.54	\$ 861.40	\$ 23.86
Hotel Room Tax	\$ 130.82	\$ 125.91	\$ 125.91	\$ 132.41	\$ 6.50
Interest	\$ 30.95	\$ 33.99	\$ 33.99	\$ 38.14	\$ 4.15
Real Property Transfer Tax	\$ 131.28	\$ 105.00	\$ 105.00	\$ 108.90	\$ 3.90
Business Taxes	\$ 322.41	\$ 332.17	\$ 332.17	\$ 335.53	\$ 3.36
Sales Tax	\$ 103.07	\$ 106.24	\$ 106.24	\$ 108.23	\$ 1.99
Public Safety Service Charges	\$ 24.91	\$ 24.58	\$ 25.19	\$ 26.73	\$ 1.54
Parking Tax	\$ 36.16	\$ 36.05	\$ 36.05	\$ 37.25	\$ 1.20
Franchise Tax	\$ 13.74	\$ 13.85	\$ 13.85	\$ 14.44	\$ 0.59
Other Revenues	\$ 379.64	\$ 397.54	\$ 403.02	\$ 403.62	\$ 0.60
Property Sales	\$ -	\$ 10.65	\$ 10.65	\$ 11.05	\$ 0.40
Utility Users Tax	\$ 76.44	\$ 79.44	\$ 79.44	\$ 79.76	\$ 0.32
Subtotal - Key Surpluses	\$ 2,032.12	\$ 2,102.95	\$ 2,109.05	\$ 2,157.44	\$ 48.39
Medicare, Medical & Health Charges (DPH)	\$ 55.46	\$ 47.39	\$ 48.19	\$ 45.81	\$ (2.39)
State Social Service Subventions (DHS)	\$ 124.04	\$ 127.36	\$ 134.48	\$ 132.26	\$ (2.22)
Prop 172 Public Safety Sales Tax	\$ 69.34	\$ 74.03	\$ 74.03	\$ 72.81	\$ (1.22)
Health & Welfare Realignment	\$ 157.92	\$ 165.20	\$ 165.20	\$ 165.20	\$ -
Motor Vehicle In Lieu	\$ 35.76	\$ 5.60	\$ 5.60	\$ 5.60	\$ -
Subtotal - Other Key Revenues	\$ 442.52	\$ 419.59	\$ 427.51	\$ 421.68	\$ (5.83)
Total Revenues	\$ 2,474.65	\$ 2,522.53	\$ 2,536.56	\$ 2,579.12	\$ 42.56
Transfers In	\$ 57.96	\$ 57.16	\$ 58.53	\$ 58.53	\$ -
Total Revenues & Transfers In	\$ 2,532.61	\$ 2,579.69	\$ 2,595.08	\$ 2,637.64	\$ 42.56
<i>Revenues Better from Prior Year Actual by...</i>	\$ 247.11	\$ 47.89	\$ 61.91	\$ 104.47	
<i>% Increase</i>	11.1%	1.9%	2.5%	4.2%	
<i>Revenues & Transfers In Better from Prior Year...</i>	\$ 164.7	\$ 47.1	\$ 62.5	\$ 105.0	
<i>% Increase</i>	7.0%	1.9%	2.5%	4.1%	

Current Operating Expenditures & Transfers Out

Based on current spending patterns, we project overall departmental expenditures and transfers-out savings of \$14.79 million by fiscal year-end. Chart C below incorporates this savings as well as required reserve set-asides. Most departments are projected to be on budget by fiscal year-end, both in their revenue and expenditure performance. However, a few are projected to have net shortfalls, and a number of others have net savings. Departments with key variances are summarized below. Chart G (on page 19) provides further budgetary detail for all departments including prior-year actuals and current year expenditure appropriations.

Chart C: Departmental Budget Summary of Sources & Uses – FY 2006-07, (millions)

Net Shortfall Departments		<i>Sort Order</i>		
US\$ millions		SOURCES	USES	NET
		Surplus / (Short) Budget	Under / (Over) Budget	Savings / (Shortfall)
City Attorney	\$	-	(4.44)	(4.44)
Police		(0.61)	-	(0.61)
City Planning		(1.31)	0.73	(0.58)
Telecommunication & Info Systems		-	(0.12)	(0.12)
District Attorney		(0.12)	0.00	(0.12)
Assessor / Recorder		(0.39)	0.34	(0.05)
Board of Appeals		(0.05)	-	(0.05)
Total Net Projected Shortfall	\$	(2.48)	(3.49)	(5.98)
Net Surplus Departments		<i>Sort Order</i>		
		SOURCES	USES	NET
		Surplus / (Short) Budget	Under / (Over) Budget	Savings / (Shortfall)
Human Services	\$	(2.22)	16.85	14.63
Public Health including Subsidies to Hospitals		(2.39)	4.65	2.27
Fire Department		0.98	1.00	1.98
Treasurer / Tax Collector		0.42	0.50	0.92
Elections		1.78	(1.00)	0.78
Public Works		0.33	-	0.33
Juvenile Probation		0.27	-	0.27
Sheriff		0.02	-	0.02
Total Net Projected Savings	\$	(0.81)	22.00	21.19
Citywide & General Tax Revenues		45.85		45.85
Baselines - Library			(0.72)	(0.72)
Baselines - Children's Services			-	0.00
Baselines - Municipal Transportation Agency			(3.00)	(3.00)
Subtotal - Current Year Operations	\$	42.56	14.79	57.35
General Reserve		20.92		20.92
Prior Year Fund Balance & Reserves		55.75		55.75
Supplemental Use of Fund Balance & Reserves			(2.77)	(2.77)
Required Reserve Deposits - Dept. Savings			(4.63)	(4.63)
Required Reserve Deposits - Rainy Day			-	0.00
Net Surplus / (Shortfall)	\$	119.23	7.39	126.62

Contribution Transfers Out, Baselines & Other Required Reserve Set-Asides

Contribution Transfers Out - San Francisco General & Laguna Honda Hospitals: Based on the current projected revenues and expenditures, San Francisco General Hospital will have a net surplus of \$1.12 million while Laguna Honda Hospital will have a net surplus of \$0.08 million for a total of \$1.20 million. This results in a savings of \$1.20 million for the General Fund.

Contribution Transfers Out – Baselines (Revenue Impacted): The Charter specifies that the Children’s Services, Library Preservation, and Municipal Transportation (i.e. the Municipal Railway (MUNI) and Parking & Traffic) shall receive a minimum appropriation amount (baseline) from the General Fund. The required baselines are adjusted as discretionary revenues change throughout the budget year. Higher required contributions are primarily due to better revenues in Property Tax, Hotel Room Tax, Interest Income, Property Transfer Tax, and Business Payroll Tax revenues. Chart D outlines the General Fund Appropriation, the Current Required Baseline, and the Projected Surplus / (Shortfall) contribution needed given the projections outlined in this report. While the Children’s Baseline is still projected to be surplus funded by approximately \$1.56 million, the Library and the MTA are projected to need additional baseline funding of \$0.72 million and \$3.00 million respectively.

Chart D: Baselines Appropriation Current Year Requirements, (millions)

Baseline	FY 2005-06	FY 2006-07		
	Balances Used in FY 2006-07 Budget	Revised Budget General Fund Appropriation	Current Year Required Baseline	Projected Surplus / (Shortfall) as of 6-Month Report
Revenue Driven				
Children's Services	\$4.02	\$93.84	\$88.26	\$1.56
Library Preservation		\$38.03	\$38.75	(\$0.72)
Municipal Railway		\$114.85	\$117.06	(\$2.21)
Parking & Traffic		\$43.38	\$44.18	(\$0.80)
Subtotal MTA	\$0.00	\$158.23	\$161.24	(\$3.00)
Total	\$4.02	\$290.10	\$288.25	(\$2.17)

A number of required reserves are also mandated by the Charter and the Municipal Code. The Rainy Day and Budget Savings Incentive Reserves are summarized in the table below and discussed in further detail in the narrative immediately following the table.

Rainy Day & Budget Savings Reserves	Actual June 30, 2006	Budgeted (Use) in in the Current Year	Required Funding from Current Year	Projected June 30, 2007
Rainy Day - Economic Stabilization Reserve	\$ 97.91	\$ -	\$ -	\$ 97.91
Rainy Day - Capital & One-Time Spending Reserve	24.07	(18.62)	-	5.44
Subtotal - Rainy Day Reserves	121.98	(18.62)	-	103.35
Children's Baseline Reserve	5.23	(4.02)	-	1.21
Budget Savings - Recreation & Park Reserve	3.37	(3.10)	-	0.27
Budget Savings - Citywide Incentive Reserve	3.37	(2.63)	4.63	5.36
Total	\$ 133.94	\$ (28.37)	\$ 4.63	\$ 110.20

Required Set-Asides – Rainy Day Reserve Requirements: Currently the Rainy Day Economic Stabilization Reserve has \$97.91 million on balance, and the Capital & One-Time Spending Account has \$5.44 million remaining. Charter Section 9.113.5 requires the City to set-aside 50 percent of revenue growth in excess of five percent from the prior year into the Rainy Day (Economic Stabilization) Reserve as well as to set-aside another 25 percent of growth over five percent into a Rainy Day One-Time or Capital Spending Reserve. The remaining 25 percent can be used for any general governmental use. The required Rainy Day calculations result in no incremental deposits projected through fiscal year-end at this time; however, given the strong revenue growth noted in this report projection, we have only \$1.77 million in revenue growth to go before deposits will be required.

Chart E: Rainy Day Reserve Requirements, (millions)

Fiscal Year	Policy Adjusted Revenues \$	Change from PY		Rainy Day Deposit Threshold \$ PY +5%	Difference b/n Deposit Threshold & Policy Adj Revenue \$
		\$	%		
FY 2003-04	2,035.99	70.12	3.6%		
FY 2004-05	2,198.89	162.90	8.0%		
FY 2005-06	2,408.37	209.49	9.5%	2,308.83	99.54
6-Month Projected FY 2006-07	2,527.02	118.65	4.9%	2,528.79	(1.77)

Required Set-Asides – Recreation & Park Budget Savings Incentive Reserve: Currently the Recreation & Park Budget Savings Reserve has a \$0.27 million balance. Charter Section 16.107 requires that ‘overall Department expenditure savings shall be retained by the Department to be dedicated to one-time expenditures’. These overall savings are set-aside in the **Recreation & Parks Budget Savings Incentive Reserve**. Based on current projections, no additional deposits are projected to be required for this reserve by fiscal year-end.

Required Set-Asides – Citywide Budget Savings Incentive Reserve: Ordinance 210-06 repealed Administrative Code Section 3.17 where previously the City deposited the greater of \$2.00 million or 10 percent of departments' year-end appropriation savings at year-end. The new requirement is to set-aside 25 percent of the total appropriation closed to General Fund balance by General Fund departments and the Department of Public Health's hospital funds. Based on current projections, \$4.63 million of deposits will be required for this reserve at fiscal year-end. This additional deposit results in total projected Citywide Budget Savings Incentive Reserves of \$5.36 million.

Supplemental Appropriations

General Fund supplemental appropriation requests approved by the Board used \$4.13 million of the General Fund Reserve or Fund Balance. There are a number of supplemental requests currently pending at the Board which represent program expansion and were not included in the 6-month projections. However, supplemental requests by the City Attorney's Office along with their client department, Public Works, and the Elections department are needed to balance their budgets, and have been included in their 6-month projections. On a related note, the Elections department has received prior-year special election reimbursement funding from the State that more than covers their needed supplemental appropriation. Additionally, we have assumed two patient revenue-backed supplemental appropriations for SF General Hospital and Laguna Honda Hospital in our projections.

Please see a summary of approved, as well as anticipated and pending supplemental appropriation requests in **Appendix A**. To the degree that supplemental appropriations (other than those we have already assumed) are approved using the General Reserve or projected fund balance resources, the projected year-end balance may be reduced.

Expenditure Reserves

Each year, the Board of Supervisors, Mayor, or Controller place certain budget items on reserve, requiring subsequent approval from the reserving party before these funds can be spent. **Appendix B** provides a status report on these reserves for the current year and their remaining balances as of January 31, 2007. For projection purposes, this report assumes that all of these Board reserves are released and expended. To the degree that other reserves are not released, not expended and closed to fund balance by year-end, the projected year-end balance would increase. In the event that appropriation reserves are related to work order authority supported through recovery funding from non-General Fund sources, no net General Fund savings would occur. **Appendix B1** provides a list of the remaining balance of all reserves from prior years. We continue to work with departments to review the status of their prior-year appropriation reserves and will further report prior-year project reserve explanations in the Nine-Month Report as outlined in Administrative Provisions Section 28 of the Annual Appropriation Ordinance (AAO).

Salary and Benefits Reserve

Administrative Provisions Section 10.3 of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for salaries and related fringe benefits for collective bargaining agreements adopted by the Board of Supervisors. For FY 2006-07 the budgeted Salary and Benefits Reserve, or Memorandum of Understanding (MOU) Reserve, is equal to \$38.47 million. This consists of the \$24.38 million that was funded as part of the FY 2006-07 AAO and a \$14.10 million of carryforward funding from FY 2005-06. This carryforward was largely assumed in the FY 2006-07 budget. As of January 31, 2007, the Controller's Office had transferred \$8.34 million to individual City Departments as detailed in **Appendix C**, which also outlines the projected need for the remaining \$30.14 reserve. No surplus balance is projected at this time.

General Fund Ending Balance

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$126.62 million as compared to the a FY 2005-06 fund balance of \$145.58 million.

II. Sources of Funds Revenues & Transfers Chart F GENERAL FUND (millions)	FY 2005-06	FY 2006-07				
	Year-End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus / (Shortfall)	
PROPERTY TAXES	782.69	837.54	837.54	861.40	23.86	[1]
BUSINESS TAXES:						
Business Registration Tax	7.70	8.23	8.23	8.23	-	[2]
Payroll Tax	314.71	323.94	323.94	327.30	3.36	[3]
Total Business Taxes	322.41	332.17	332.17	335.53	3.36	
OTHER LOCAL TAXES:						
Sales Tax	103.07	106.24	106.24	108.23	1.99	[4]
Hotel Room Tax	130.82	125.91	125.91	132.41	6.50	[5]
Utility Users Tax	76.44	79.44	79.44	79.76	0.32	[6]
Parking Tax	36.16	36.05	36.05	37.25	1.20	[7]
Real Property Transfer Tax	131.28	105.00	105.00	108.90	3.90	[8]
Stadium Admission Tax	2.72	2.88	2.88	2.88	-	[9]
Total Other Local Taxes	480.50	455.51	455.51	469.41	13.90	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	7.09	7.07	7.07	7.03	(0.04)	[10]
Franchise Tax	13.74	13.85	13.85	14.44	0.59	[11]
Total Licenses, Permits & Franchises	20.83	20.92	20.92	21.47	0.55	
FINES, FORFEITURES & PENALTIES	10.19	4.90	4.90	4.95	0.05	[12]
INTEREST & INVESTMENT INCOME	30.95	33.99	33.99	38.14	4.15	[13]
RENTS & CONCESSIONS						
Garages - Rec/Park	9.21	9.27	9.27	9.27	-	[14]
Rents and Concessions - Rec/Park	9.08	9.25	9.25	9.25	-	[15]
Other Rents and Concessions	1.72	1.61	1.61	1.61	-	[16]
Total Rents and Concessions	20.01	20.14	20.14	20.14	-	
INTERGOVERNMENTAL REVENUES						
Federal Government						
Social Service Subventions	177.80	185.29	185.00	185.09	0.08	[17]
Other Grants & Subventions	4.64	8.98	9.30	9.52	0.23	[18]
Total Federal Subventions	182.45	194.27	194.30	194.61	0.31	
State Government						
Social Service Subventions	124.04	127.36	134.48	132.26	(2.22)	[19]
Health & Welfare Realignment	157.92	165.20	165.20	165.20	-	[20]
Health/Mental Health Subventions	70.05	75.16	76.15	76.15	-	[21]
Public Safety Sales Tax	69.34	74.03	74.03	72.81	(1.22)	[22]
Motor Vehicle In-Lieu	35.76	5.60	5.60	5.60	-	[23]
Other Grants & Subventions	33.39	22.92	27.39	29.17	1.78	[24]
Total State Subventions	490.51	470.27	482.86	481.20	(1.66)	
CHARGES FOR SERVICES:						
General Government	25.74	32.84	32.84	31.33	(1.51)	[25]
Public Safety	24.91	24.58	25.19	26.73	1.54	[26]
Recreation - Rec/Park	6.78	7.08	7.08	7.08	-	[27]
MediCal, MediCare & Health	55.46	47.39	48.19	45.81	(2.39)	[28]
Other Service Charges	0.32	11.79	11.79	11.79	-	[29]
Total Charges for Services	113.20	123.67	125.09	122.73	(2.35)	
RECOVERY OF GEN. GOV'T. COSTS	13.23	10.30	10.30	10.30	-	[30]
OTHER REVENUES	7.68	18.85	18.85	19.25	0.40	[31]
TOTAL REVENUES	2,474.65	2,522.53	2,536.56	2,579.12	42.56	
Airport Transfer In	21.46	22.06	22.06	22.06	-	[32]
All Other Transfers In	36.51	35.10	36.47	36.47	-	[33]
	57.96	57.16	58.53	58.53	-	
TOTAL GENERAL FUND RESOURCES	2,532.61	2,579.69	2,595.08	2,637.64	42.56	

Notes to Sources of Funds Schedule:

- (1) **Property Tax** revenues are projected to be \$23.86 million better than budget. This is primarily due to four key factors: 1) +\$12.81 million from supplemental assessment billings; 2) +\$6.07 million from improving assessment appeals experience to date; 3) +\$4.16 million from State revenue backfill allocations related to vehicle license fees and sales tax (Triple Flip) shifts; and 4) +\$2.20 million from escape assessments billings; less a partially offsetting -\$1.38 million in other property tax related revenues. San Francisco’s net assessed valuation grew 7.6 percent in FY 2006-07 from FY 2005-06, as was assumed in the budget.

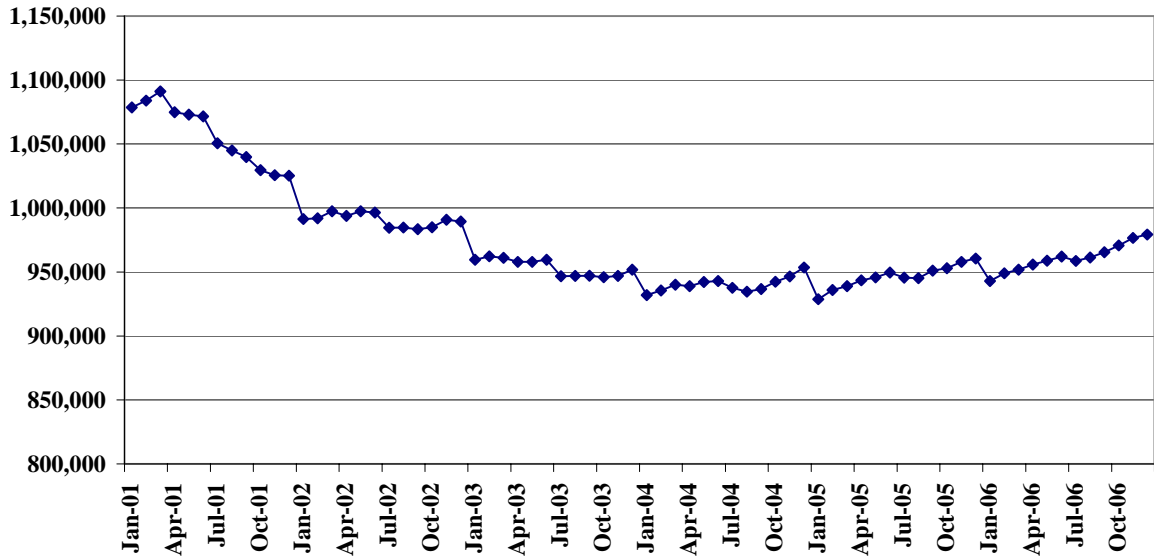
On a related note, this projection reflects ERAF shifts of \$285.40 million from the City’s General Fund to cover the State’s Proposition 98 K-14 voter-mandated funding requirements. This amount is partially offset by in lieu payments for the Triple Flip (Sales Tax) and the permanent rollback of the vehicle license fee of \$35.66 million and \$126.24 million respectively, for a net ERAF shift of \$123.50 million. The projected impact is summarized for the General Fund and selected Special Revenue Funds below.

Projected Property Tax Revenues by Fund

	FY 2006-07		<i>sort order</i>	
	Revised Budget	6-Month Projection	Surplus / (Shortfall) as of 6-Month	
General Fund	\$ 837.54	\$ 861.40	\$	23.86
Children's Fund	\$ 35.49	\$ 36.84	\$	0.96
Library Fund	\$ 29.67	\$ 30.79	\$	0.80
Open Space Fund	\$ 29.67	\$ 30.79	\$	0.80

- (2) **Business Registration** revenues are projected to be on budget based on business formations and renewal collections to date.
- (3) **Payroll Tax** revenues are projected to be \$3.36 million better than budget. This is due primarily to prior-year actual receipts exceeding projection, which then resulted in an increased base from which to grow. We continue to assume 4.0 percent growth over prior-year actual collections. Jobs grew by 6,300 or 1.2 percent in 2005 and are assumed to have grown similarly in 2006. Final 2006 jobs data at the county level will not be available from the State for several months; however, the following chart shows the employment for the San Francisco Primary Metropolitan Statistical Area, which includes San Francisco, Marin and San Mateo counties. This aggregated level is the most focused geographical area for which current data is available. The moderate labor growth assumed in the budget appears to have materialized. Our projection also assumes collections growth of 2.0 percent through the remainder of the fiscal year, consistent with pre-payment provisions in the Municipal Code.

Total Employment for the San Francisco PMSA (Marin, San Francisco, San Mateo)



Source: California Economic Development Department

Job Growth Is Up Over Last 24+ Months
 San Francisco PMSA (Marin, San Francisco, San Mateo)

Calendar Year	Average Annual Growth	Growth over prior Year, Month of December
2001		
2002	-6.3%	-3.5%
2003	-3.7%	-3.8%
2004	-1.4%	0.2%
2005	0.6%	0.7%
2006	1.6%	1.9%

- (4) **Sales Tax** revenues are projected to be \$1.99 million better than budget. This projection equates to 5.0 percent growth over the prior year’s actual receipts. For the most recent quarter, the 3rd Quarter 2006, the City had 3.6 percent growth in underlying sales tax generating activity, with apparel stores and restaurants gaining the most over the same quarter of the prior year. On an annualized basis for the four quarters ending September 2006, the City had 5.0 percent growth in underlying sales tax generating activity.

Several positive factors exist for the retail component of sales tax revenue, including strength in hotel occupancies and the September 2006 opening of the Westfield Center with both new and additional shopping venues for the San Francisco marketplace. Additionally, construction and fuel-related purchasing activity was up in 3rd Quarter 2006 due to a building boom and higher average gasoline prices. However, the business-to-business component is still showing anemic growth of only 0.5 percent year-over-year, which is indicative of a gradual recovery where employers have been conservative in their permanent staff hiring. San Francisco's sales tax revenue continues to be more dependent on tourism than most other California cities.

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be \$6.50 million better than budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$189.10 million, or 5.4 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continue to strengthen. The tables on page 14 summarize Hotel Occupancy and Average Daily Room Rates (ADRs) by month.

Our projection is based on realized revenue collections-to-date, interviews with hotel industry experts, an assumption of continued economic strengthening and increasing average daily room rates for FY 2006-07. Our current forecast assumes average annual occupancy rates of 76.8 percent (0.2 percent growth over the prior year) and average annual daily room rates (ADRs) of \$168.48 (5.2 percent growth over the prior year). Hotel room tax revenues fluctuate primarily based on these two variables along with changes in the number of available rooms.

Hotel Tax Revenue - All Funds (\$ millions)

	Fiscal Year	Total	Annual Growth	
			\$ Change (\$ million)	% Change
	FY 1999-00	\$ 182.10	\$ 20.58	12.7%
Prior Peak →	FY 2000-01	\$ 188.38	\$ 6.28	3.4%
	FY 2001-02	\$ 132.23	\$ (56.15)	(29.8%)
	FY 2002-03	\$ 128.59	\$ (3.63)	(2.7%)
	FY 2003-04	\$ 148.23	\$ 19.64	15.3%
	FY 2004-05	\$ 157.94	\$ 9.71	6.6%
	FY 2005-06	\$ 179.47	\$ 21.53	13.6%
	Budget FY 2006-07	\$ 182.60	\$ 3.13	1.7%
	6-Month Projection FY 2006-07	\$ 189.10	\$ 9.63	5.4%

HOTEL OCCUPANCY RATES

MONTH	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
July	88.0%	87.5%	75.4%	68.7%	77.0%	81.1%	84.4%	82.3%
August	81.3%	90.2%	80.8%	74.7%	83.5%	81.5%	87.2%	82.8%
September	86.9%	88.5%	58.3%	68.1%	75.0%	81.6%	88.0%	86.2%
October	82.7%	87.9%	61.1%	73.7%	76.1%	84.5%	84.1%	86.6%
November	74.1%	72.7%	53.9%	60.9%	69.8%	63.1%	70.9%	72.9%
December	62.1%	64.4%	50.0%	55.6%	56.9%	63.1%	64.5%	65.1%
January	67.0%	63.5%	50.3%	51.3%	54.5%	59.9%	62.3%	62.9%
February	79.7%	70.4%	56.9%	57.9%	63.6%	67.5%	67.0%	67.7%
March	88.6%	72.9%	60.7%	59.4%	73.6%	72.6%	75.4%	76.2%
April	84.7%	70.7%	67.8%	62.8%	73.2%	74.6%	78.7%	79.5%
May	84.4%	76.9%	65.7%	68.7%	78.9%	78.3%	78.0%	79.0%
June	91.7%	80.0%	74.5%	72.9%	80.8%	81.3%	80.2%	81.0%
AVG. OCC. RATE	80.9%	77.1%	63.0%	64.6%	71.9%	74.1%	76.7%	76.8%
% Rate Chg from PY	1.1%	-3.8%	-14.2%	1.6%	7.3%	2.2%	2.6%	0.1%
% Change from PY	1.4%	-4.7%	-18.4%	2.6%	11.4%	3.0%	3.6%	0.2%

Fiscal Year Peak

Occupancy
Up

Approaching 2000 Peak

NOTE: Actuals based on a PKF industry sample representing 70-80% of all rooms and revenue.

AVERAGE DAILY ROOM RATES (ADRs)

MONTH	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
July	\$ 154.98	\$ 175.56	\$ 156.14	\$ 140.65	\$ 136.72	\$ 140.34	\$ 150.67	\$ 166.94
August	\$ 150.06	\$ 165.89	\$ 159.01	\$ 134.34	\$ 133.63	\$ 141.62	\$ 149.44	\$ 161.86
September	\$ 158.09	\$ 180.33	\$ 157.35	\$ 140.18	\$ 141.04	\$ 147.04	\$ 166.10	\$ 179.99
October	\$ 153.22	\$ 191.46	\$ 166.56	\$ 156.21	\$ 158.28	\$ 161.13	\$ 171.60	\$ 187.63
November	\$ 148.02	\$ 169.40	\$ 151.08	\$ 140.01	\$ 141.82	\$ 143.93	\$ 152.40	\$ 165.34
December	\$ 146.22	\$ 162.24	\$ 136.65	\$ 129.56	\$ 129.33	\$ 135.65	\$ 144.87	\$ 145.00
January	\$ 153.17	\$ 174.24	\$ 146.41	\$ 140.60	\$ 133.75	\$ 146.81	\$ 159.41	\$ 161.00
February	\$ 156.25	\$ 181.78	\$ 146.09	\$ 143.65	\$ 138.73	\$ 147.62	\$ 154.97	\$ 157.00
March	\$ 164.96	\$ 179.18	\$ 143.95	\$ 138.06	\$ 154.22	\$ 151.05	\$ 173.90	\$ 176.00
April	\$ 164.39	\$ 168.79	\$ 156.06	\$ 140.30	\$ 142.54	\$ 154.44	\$ 164.27	\$ 172.00
May	\$ 168.41	\$ 191.63	\$ 152.38	\$ 149.66	\$ 149.40	\$ 156.66	\$ 167.78	\$ 174.00
June	\$ 175.50	\$ 173.72	\$ 160.85	\$ 135.91	\$ 148.02	\$ 152.24	\$ 166.46	\$ 175.00
AVERAGE ADR	\$ 157.77	\$ 176.19	\$ 152.71	\$ 140.76	\$ 142.29	\$ 148.21	\$ 160.16	\$ 168.48
\$ Change from PY	\$ 10.25	\$ 18.41	\$ (23.47)	\$ (11.95)	\$ 1.53	\$ 5.92	\$ 11.95	\$ 8.32
% Change from PY	6.9%	11.7%	-13.3%	-7.8%	1.1%	4.2%	8.1%	5.2%

Fiscal Year Peak

ADRs
Up

NOTE: Actuals based on a PKF industry sample representing 70-80% of all rooms and revenue.

- (6) **Utility Users Tax** revenues are projected to be \$0.32 million better than budget. This variance is explained by a \$0.32 million surplus in telephone services tax collections. Additionally, an estimated shortfall of \$1.76 million related to lower natural gas revenue is projected to be offset by a \$1.76 million surplus in electricity related revenue. On a related note, on May 25, 2006, the US Treasury Department announced that it will eliminate the three percent Federal Excise Tax on long-distance telephone calls. The City's local telephone utility users tax regulation incorporates some Federal Excise Tax provisions, so staff are evaluating the US Treasury's reinterpretation of its Federal Excise Tax provisions to see if there may be any impact to the local telephone utility users tax revenue. No impact has been included in the projection noted above.
- (7) **Parking Tax** revenues are projected to be \$1.20 million better than budget.
- (8) **Real Property Transfer Tax** revenues are projected to be \$3.90 million better than budget. Record transactions occurred in the commercial sector in FY 2003-04, FY 2004-05 and then again in FY 2005-06. The FY 2006-07 budget assumed a 20.0 percent decrease from the FY 2005-06 actual collections. Collections through the end of January were 16.5 percent lower than prior-year collections year-to-date.

This revenue has traditionally been one of the General Fund's more volatile taxes and is impacted by investor interest (especially in the commercial sector), economic cycles and interest rates. Low mortgage and capitalization rates have helped this revenue in recent history. Based on our review of the Recorder's transaction data for the past several years (summarized below), recent above-trend revenue news is primarily attributable to transactions in the \$1 million and greater market segment.

Fiscal Year	Real Property Transfer Tax Revenue (\$ millions)					Timing Differences	Total Revenue*
	@ 0.50%		@ 0.68%		@ 0.75%		
	<\$250,000	>\$250,000	>\$1,000,000				
FY 1997-98	\$ 2.77	\$ 19.34	\$ 22.89	\$ (0.99)	\$ 44.01		
FY 1998-99	\$ 2.05	\$ 23.20	\$ 31.87	\$ (0.99)	\$ 56.13		
FY 1999-00	\$ 1.18	\$ 25.51	\$ 41.57	\$ 1.62	\$ 69.88		
FY 2000-01	\$ 0.46	\$ 22.87	\$ 38.96	\$ 0.05	\$ 62.34		
FY 2001-02	\$ 0.41	\$ 25.38	\$ 21.21	\$ 0.28	\$ 47.27		
FY 2002-03	\$ 0.48	\$ 29.31	\$ 21.37	\$ 0.31	\$ 51.48		
FY 2003-04	\$ 0.74	\$ 37.78	\$ 41.05	\$ (0.72)	\$ 78.85		
FY 2004-05	\$ 0.65	\$ 37.16	\$ 78.89	\$ 0.10	\$ 116.80		
FY 2005-06	\$ 0.46	\$ 31.44	\$ 98.33	\$ 1.05	\$ 131.28		
FY 2006-07 Budget	\$ 0.55	\$ 26.76	\$ 77.68	\$ (0.00)	\$ 105.00		
FY 2006-07 Projection	\$ 0.45	\$ 26.60	\$ 81.84	\$ 0.00	\$ 108.90		
	Thru December Actuals					January Actuals	
FY 2005-06 YTD	\$ 0.24	\$ 17.29	\$ 49.96	\$ 6.07	\$ 73.56		
FY 2006-07 YTD	\$ 0.24	\$ 15.35	\$ 38.63	\$ 7.23	\$ 61.45		
Change	-1.8%	-11.2%	-22.7%		-16.5%		

* Adjusted for timing differences between Recorder's System and revenue recognition requirements.

- (9) **Stadium Admission Tax** revenues are projected to be on budget.
- (10) **Licenses and Permit** revenues are projected to be \$0.04 million under budget due to fee revenue weakness at the Department of Public Works including:
 - -\$0.03 million in Newsrack Fees, and
 - -\$0.01 million in Café Table & Chair Fees.
- (11) **Franchise Tax** revenues are projected to be \$0.59 million better than budget. The variance is due to a \$0.54 million surplus in cable television revenues, a \$0.09 million surplus in natural gas revenues less a \$0.04 million shortfall in electricity revenues.
- (12) **Fines, Forfeitures and Penalty** revenue is projected to be \$0.05 million better than budget due to \$0.05 million in higher Public Works litter penalty revenues.
- (13) **Interest Income** is projected to be \$4.15 million better than budget because of slightly higher cash balances. The Fed has been holding short-term interest rates steady at a 5.25 percent yield on Fed funds rate since June 2006. The fiscal year-to-date average yield on the City's investment pool was 5.18 percent through December 2006, with the December 2006 yield being 5.19 percent.
- (14) **Recreation & Parks Garage** revenues are projected to be on budget.
- (15) **Rents and Concessions** revenues, including Recreation & Parks, are projected to be on budget.
- (16) **Other Rents and Concessions** revenues are projected to be on budget.
- (17) **Federal Social Service Subventions** revenues are projected to be \$0.08 million better than budget due to additional Title IV-E foster care reimbursements at Juvenile Probation.
- (18) **Federal Other Grants & Subventions** revenues are projected to be \$0.23 million better than budget due to \$0.04 million in higher South West Border Prosecution Initiative (SWBPI) reimbursements and \$0.19 million in prior-year federal funding for the Juvenile Probation department. SWBPI revenue accrues mainly to the Sheriff and the District Attorney's Office.
- (19) **State Social Service Subventions** revenues are projected to be \$2.22 million under budget. A summary of all Human Services operations is included in the expenditure section below on page 21.
- (20) **Health & Welfare Realignment** revenue is projected to be on budget.
- (21) **Health & Mental Health Subventions** revenues are on budget.

- (22) **Public Safety Sales Tax** revenue is projected to be \$1.22 million under budget due to lower allocations than previously assumed. This revenue is a function of the City's proportionate share of statewide sales activity.
- (23) **Motor Vehicle in Lieu (MVL-VLF)** revenues are projected to be on budget.
- (24) **Other Grants and Subventions** revenues are \$1.78 million better than budget due to the Elections Department receiving reimbursement funding for prior-year special elections costs.
- (25) **Service Charges – General Government** revenues are projected to be \$1.51 million under budget due to:
- -\$1.41 million City Planning Building Permit, Conditional Use and Variance fees,
 - -\$0.39 million Assessor Recording fees,
 - -\$0.07 million District Attorney Bad Check fees,
 - -\$0.05 million Board of Appeals Surcharge fees, and
 - +\$0.42 million Treasurer / Tax Collector Credit Card Processing Fees.
- (26) **Service Charges - Public Safety** revenue is projected to be \$1.54 million better than budget due to:
- +\$1.19 million in Fire Building Inspection Fees.
 - +\$0.58 million in Public Works Street Space and Right-Of-Way Assessment,
 - +\$0.30 million in 10B Police Overtime Overhead recoveries,
 - +\$0.10 million in Police False Alarm Permit fees,
 - +\$0.10 million in City Planning Code Enforcement fees,
 - +\$0.04 million in Public Works Phone Booth permit fees,
 - +\$0.01 million in Public Works miscellaneous fees,
 - - \$0.07 million in District Attorney Community Court fees,
 - - \$0.08 million in Police DUI Emergency Response fees,
 - - \$0.31 million in Public Works Asphalt Plant fees, and
 - - \$0.32 million in Police Other Non-Operating revenue.
- (27) **Recreation Charges – Rec/Park** revenues are projected to be on budget.
- (28) **Service Charges – MediCal, Medicare, & Health Services** revenue is projected to be \$2.39 million under budget due to various lower Public Health Department (DPH) revenues in three non-hospital, operating divisions: Public Health, Primary Care and Health at Home. Public Health division shortfalls are related to \$0.80 million in lower California Children's Services funding, \$0.50 million from lower targeted case management reimbursement rates and \$0.30 million in lower Medi-Cal administrative activity reimbursements. The \$0.67 million shortfall in Primary Care is primarily related to lower projected support from private hospitals for the sobering center, expiring grants and lower Health Care Accountability Ordinance contractor payments. Lastly, the shortfall of \$0.11 million in Health at Home is also related to

lower targeted case management reimbursement rates. A summary of all Public Health operations is included in the expenditure section below, on pages 22-23.

- (29) **Other Service Charges** are projected to be on budget.
- (30) **Recoveries** are projected to be on budget.
- (31) **Other Revenues** are projected to be \$0.40 million better than budget due to slightly higher property sales prices than were assumed in the budget for the Fire Department properties (namely 2350 19th Avenue and 1648 Pacific Avenue).
- (32) **Transfers In – Airport**. The General Fund 15 percent share of concession revenues at San Francisco International Airport is projected to be on budget.
- (33) **Tranfers In – Other** are projected to be on budget.

III. Uses of Funds, Chart G, (millions)

GENERAL FUND (US\$ millions)	FY 2005-06	FY 2006-07	Revised Budget	Projected Year-End	6-Month Surplus / (Shortfall)
	Actuals	Original Budget			
PUBLIC PROTECTION					
Adult Probation	\$ 9.91	\$ 10.80	\$ 11.07	\$ 11.07	\$ -
Trial Courts	32.20	31.26	31.54	31.54	-
District Attorney	26.52	30.00	30.65	30.65	-
Emergency Management	5.33	5.22	5.53	5.53	-
Fire Department	203.36	222.08	226.60	225.60	1.00
Juvenile Probation	31.12	36.45	39.12	39.12	-
Public Defender	18.81	22.04	22.26	22.26	-
Police	285.98	301.51	306.73	306.73	-
Sheriff	127.48	141.53	144.36	144.36	-
	740.72	800.89	817.86	816.86	1.00
PUBLIC WORKS, TRANSPORTATION & COMMERCE					
Public Works	34.19	33.93	77.11	77.11	-
Economic & Workforce Development	2.11	4.04	8.77	8.77	-
Municipal Transportation Agency	0.04	-	0.37	0.37	-
Board of Appeals	0.53	0.57	0.58	0.58	-
Public Utilities Commission	0.16	0.20	0.26	0.26	-
	37.03	38.73	87.09	87.09	-
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT					
Children, Youth & Their Families	11.99	23.00	28.96	28.96	-
Human Services	507.10	561.21	598.97	582.12	16.85
Environment	1.07	1.42	5.20	5.20	-
Human Rights Commission	1.31	1.12	1.10	1.10	-
County Office of Education	0.07	0.07	0.07	0.07	-
Status of Women	2.38	2.86	3.73	3.73	-
	523.91	589.68	638.04	621.19	16.85
COMMUNITY HEALTH					
Public Health	377.23	424.79	459.22	455.77	3.45
CULTURE & RECREATION					
Asian Art Museum	6.11	7.14	7.35	7.35	-
Arts Commission	6.04	7.66	9.96	9.96	-
Fine Arts Museum	8.37	9.55	9.89	9.89	-
Law Library	0.43	0.59	0.59	0.59	-
Recreation & Parks	57.76	71.79	88.86	88.86	-
Academy of Sciences	1.70	2.24	2.24	2.24	-
	80.42	98.97	118.90	118.90	-
GENERAL ADMINISTRATION & FINANCE					
City Administrator	32.78	64.77	58.10	58.10	-
Assessor / Recorder	9.05	10.84	11.51	11.17	0.34
Board of Supervisors	9.62	10.83	11.60	11.60	-
City Attorney	10.84	10.54	10.86	15.30	(4.44)
Controller	18.85	18.66	23.10	23.10	-
City Planning	15.38	20.53	23.82	23.09	0.73
Civil Service Commission	0.50	0.59	0.64	0.64	-
Ethics Commission	1.29	8.42	8.43	8.43	-
Human Resources	9.70	14.03	19.63	19.63	-
Health Service System	(0.00)	-	-	-	-
Mayor	7.28	8.36	30.25	30.25	-
Elections	11.86	8.60	8.76	9.76	(1.00)
Retirement System	0.24	0.40	1.32	1.32	-
Telecommunications & Information Services	4.08	2.37	6.11	6.23	(0.12)
Treasurer / Tax Collector	19.77	23.03	23.03	22.53	0.50
	151.24	201.97	237.15	241.14	(3.99)
GENERAL CITY RESPONSIBILITIES					
	53.57	60.10	68.83	68.83	-
TOTAL GENERAL FUND EXPENDITURES					
	1,964.12	2,215.13	2,427.09	2,409.78	17.31
Baseline Funding to Children's Services (additional need)	-	-	-	-	-
Baseline Funding to Library Preservation Fund	38.65	38.03	38.03	38.75	(0.72)
Baseline Funding to Parking & Traffic Fund	43.43	43.38	43.38	44.18	(0.80)
Baseline Transfer to Municipal Railway Fund	117.83	114.85	114.85	117.06	(2.21)
Subsidy Transfer to SF General Hospital Fund	91.48	133.52	138.88	137.76	1.12
Subsidy Transfer to Laguna Honda Hospital Fund	38.80	48.66	49.21	49.13	0.08
Transfer to All Other Special Revenue Funds	7.61	10.60	10.65	10.65	-
Baselines & Selected Subsidy Transfers Out	337.81	389.04	395.01	397.53	(2.52)
Reserves	-	35.38	49.00	49.00	-
TOTAL GENERAL FUND USES (AAO)	\$ 2,301.92	\$ 2,639.55	\$ 2,871.09	\$ 2,856.31	\$ 14.79

Notes to Uses of Funds Schedule:

Most departments are managing their operations closely to budget. Though, a number of departments warrant further discussion – either because of operational issues or budgetary challenges. Notable department highlights are summarized below by Major Service Area. All projections highlighted in the table on the previous page are based on current spending patterns and identified savings plans when noted.

Public Protection Departments

The **Fire Department** is projected to end the year with a \$1.00 million expenditure savings. This is largely attributable to under spending in uniform salaries due to a large number of H2 Firefighter vacancies. This projection also projects 75 retirements compared to the 110 assumed in the budget. The department is also projected to have a \$0.98 million revenue surplus related mainly to inspection fees revenue strength with partially offsetting weakness in the City's Proposition 172 Public Safety Sales Tax revenues (which are 50 percent allocated to Police and 50 percent to Fire). Overall, the Fire Department is projected to end the fiscal year with a net surplus of \$1.98 million.

The **Juvenile Probation Department** is projected to end the year on expenditure budget, which had been increased earlier this year through supplemental appropriation. The department is also projected to have a \$0.27 million revenue surplus, resulting in a net departmental savings of \$0.27 million projected by fiscal year-end.

The **Police Department** is projected to end the year on expenditure budget, which had been increased earlier this fiscal year through supplemental appropriation. A projected deficit of \$5.10 million in overtime, related to training Academy and on-going violence reduction efforts, will be offset by permanent salaries and fringe benefit savings. This projection is predicated upon the release of a \$1.54 million reserve for overtime costs. Slight weakness in the City's Proposition 172 Public Safety Sales Tax revenues (which are 50 percent allocated to Police and 50 percent to Fire) results in a projected net shortfall of \$0.61 million.

The **Sheriff's Department** is projected to end the year on budget, which had been increased earlier this fiscal year through supplemental appropriation. A projected \$2.88 million deficit in overtime is offset by savings in permanent salaries and fringes due to vacancies. On a related note, an estimated 15 to 17 fully trained officers are expected to be placed at jails this spring. At this time, however, the projected light, heat, and power work order costs for the recently opened San Bruno Jail are still being determined. The Sheriff's Department is also projected to a \$0.02 million revenue surplus related to Southwest Border Prosecution Initiatives. At this time, the department is projected to end the year with an overall \$0.02 million surplus.

Public Works, Transportation & Neighborhood Development Departments

The **Department of Public Works** is projected to end the year on expenditure budget. The department's projected revenues reflect a \$0.31 million shortfall in asphalt plant revenues offset by a \$0.64 million surplus in fees (mainly right of way and street space related to the increase in construction) for a net surplus of \$0.33 million overall.

Human Welfare & Neighborhood Development Departments

The **Human Services Agency** (including both Human Services and Aging & Adult Services) is projected to end the year with \$16.85 million of expenditure savings; however, associated revenues are projected to be \$2.22 million short. Overall the department is projected to have net departmental savings of \$14.63 million.

Projected savings in Aid costs are due to lower caseloads than budgeted in CAAP, CalWorks, Foster Care, and In-Home Supportive Services (IHSS). Program-related revenue shortfalls are more than offset by caseload savings overall. Key programs contributing to the overall projected savings are highlighted in the table below.

HUMAN SERVICES	SOURCES	USES	<i>Sort Order</i> NET
US\$ Millions	Surplus/ (Shortfall)	Savings / (Shortfall)	Department Savings / (Shortfall)
CAAP / PAES Aid	\$ -	\$ 4.87	\$ 4.87
Prior Year Revenue Adjustments	\$ 3.64	\$ -	\$ 3.64
CAAP/CAPI Eligibility & Services	\$ 1.20	\$ 0.61	\$ 1.82
Food Stamp Eligibility	\$ 3.84	\$ (2.19)	\$ 1.65
CalWorks Refugee	\$ 0.33	\$ 0.91	\$ 1.23
IHSS Administration	\$ (1.55)	\$ 2.36	\$ 0.81
City Childcare	\$ -	\$ 0.63	\$ 0.63
Medi-Cal Eligibility	\$ (0.78)	\$ 1.42	\$ 0.63
Adoption Services	\$ 0.79	\$ (0.26)	\$ 0.53
CalWorks Childcare	\$ (7.12)	\$ 7.46	\$ 0.34
Fostercare KinGAP	\$ (0.69)	\$ 0.95	\$ 0.26
Foster Care	\$ (1.61)	\$ 1.81	\$ 0.20
CalWorks Aid	\$ (1.85)	\$ 1.90	\$ 0.04
Adoption Assistance	\$ (0.05)	\$ 0.08	\$ 0.03
CalWorks Eligibility and MH/SA	\$ (0.01)	\$ -	\$ (0.01)
IHSS Aid	\$ (0.33)	\$ 0.27	\$ (0.06)
Other programs	\$ (1.43)	\$ 1.00	\$ (0.43)
Aging and Adult Services	\$ (0.13)	\$ (0.56)	\$ (0.69)
Child Welfare Services	\$ 3.52	\$ (4.41)	\$ (0.89)
Total Aid & Operations	\$ (2.22)	\$16.85	\$14.63

Public Health

The Department of Public Health is projected to have a net operating surplus of \$2.27 million. This is mainly comprised of projected expenditure savings in the General Fund of \$3.45 million as well as subsidy transfer savings of \$1.12 million at SF General and \$0.08 million at Laguna Honda Hospital. For the General Fund, \$3.45 million of expenditure savings is projected along with a partially offsetting revenue shortfall of \$2.39 million related to lower health service charge and grant revenues. Revenue-backed supplemental appropriations are anticipated for both SF General Hospital's and Laguna Honda Hospital's operating budgets.

PUBLIC HEALTH	SOURCES			USES			NET
	Revised Budget	Projection	Surplus/ (Shortfall)	Revised Budget	Projection	Savings / (Shortfall)	Department Savings / (Shortfall)
US\$ Millions							
S.F. General Hospital^	578.96	593.35	14.39	578.96	565.69	(13.27)	1.12
Laguna Honda Hospital	183.90	187.68	3.78	183.90	180.21	(3.69)	0.08
<u>GENERAL FUND</u>							
Primary Care	43.08	42.41	(0.67)	43.08	43.20	(0.12)	(0.79)
Health at Home	10.08	9.97	(0.11)	10.08	8.64	1.44	1.33
Jail Health	24.56	24.56	-	24.56	24.98	(0.42)	(0.42)
<i>less Recoveries from Sheriff</i>	<i>(23.10)</i>	<i>(23.10)</i>	-	<i>(23.10)</i>	<i>(23.10)</i>	-	-
Public Health	163.08	161.48	(1.60)	163.08	162.28	0.80	(0.80)
Mental Health	182.32	182.32	-	182.32	180.57	1.75	1.75
Substance Abuse	59.20	59.20	-	59.20	59.20	-	-
Subtotal - General Fund	\$ 459.22	\$ 456.83	\$ (2.39)	\$ 459.22	\$ 455.77	\$ 3.45	\$ 1.06
Grants and Other Subventions	112.23	112.23	-	112.23	112.23	-	-
Gifts and Other Bequests	0.59	0.59	-	0.59	0.59	-	-
Department Total - All Funds^	\$ 1,334.90	\$ 1,350.68	\$ 15.78	\$ 1,334.90	\$ 1,314.49	\$ (13.51)	\$ 2.27

^ Net of Safety Net Care Pool/Healthy Plan Match IGT Transfers

Hospital Operations

- SF General:** \$14.39 million in higher revenue at SF General Hospital is due to higher net patient revenues related to higher census levels than were assumed in the budget as well as higher levels of prior-year settlement revenues. For the first 6 months of the fiscal year, the average daily census at SF General Hospital, including the Mental Health Recovery Facility was 5.6 percent higher than assumed in the budget, that is at 482.7 versus the 457.0 assumed in the budget. The adult-only hospital census is up an even greater 9.7 percent over what was assumed in the budget. The additional revenue resulting from the increased average daily census, is offset by projected increased expenditures of \$13.27 million due to mandated nurse staffing ratios at the hospital that require staffing be adjusted to meet the census using straight time or overtime, as well as additional medical supplies used in operating rooms and orthopedic surgeries.
- Laguna Honda:** \$3.78 million in higher revenue at Laguna Honda Hospital is due to a \$10.88 increase in the Medi-Cal base per diem rates published in November 2006 (which increased the per diem from \$299.80 to \$310.68 effective August 1, 2006). The projected expenditure shortfall is primarily related to staff overtime costs with partially offsetting

fringe benefit costs. Overall, Laguna Honda is projected to have a \$0.08 million projected net surplus.

Non-Hospital Operations (General Fund)

Division	Net Surplus/ (Shortfall) millions	Explanation										
Primary Care	(\$0.79)	Mainly revenue shortfalls, including \$0.39 million shortfall in support from private hospitals for the Sobering Center, expiring grants and lower Health Care Accountability Ordinance contractor payments.										
Health at Home	\$1.33	\$1.44 million of salary and fringe benefit expenditure savings due to high vacancy rates, less a \$0.11 million shortfall in Targeted Case Management revenues.										
Jail Health Services	(\$0.42)	Increased salary and fringe benefit expenditures due to delay in anticipated reduction of Pharmacists for the new San Bruno Jail and backfilling of nursing staff.										
Public Health	(\$0.80)	Revenues Shortfall of \$1.60 million from: <ul style="list-style-type: none"> • CA Child Support Services: (\$800,000) • Targeted Case Management (\$500,000) • Medi-Cal Administrative Activities (\$300,000) Partially offset by \$800,000 expenditure savings in Salaries and Fringe Benefits.										
Mental Health	\$1.75	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Salary and Fringe Benefit Savings</td> <td style="text-align: right;">\$1.90</td> </tr> <tr> <td>Trauma Recovery Center Savings</td> <td style="text-align: right;">\$1.05</td> </tr> <tr> <td>Long-Term Care Bed Facilities Deficit</td> <td style="text-align: right;">(\$3.20)</td> </tr> <tr> <td>Other Contract Savings</td> <td style="text-align: right;"><u>\$2.00</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$1.75</td> </tr> </table>	Salary and Fringe Benefit Savings	\$1.90	Trauma Recovery Center Savings	\$1.05	Long-Term Care Bed Facilities Deficit	(\$3.20)	Other Contract Savings	<u>\$2.00</u>	Total	\$1.75
Salary and Fringe Benefit Savings	\$1.90											
Trauma Recovery Center Savings	\$1.05											
Long-Term Care Bed Facilities Deficit	(\$3.20)											
Other Contract Savings	<u>\$2.00</u>											
Total	\$1.75											
Substance Abuse	\$0	Projected to be on budget.										
TOTAL	<u>\$1.07</u>											

Culture & Recreation Departments

Recreation and Park is projected to end the year on budget in the general fund. This is despite a projected operating shortfall of \$0.58 M over expenditures in salaries, which are assumed to be offset by salary savings in the Open Space Fund. This transfer is based on program reassignments that have occurred over the last 6 months to reflect accurate position accounting. With the adjustment, the General Fund will balance, and the Open Space Fund will have an expenditure surplus of \$0.62 M. The Open Space and Golf Funds are discussed further in Appendix D on pages 36 and 38.

General Administration & Finance Department

The **City Administrator's Department** is projected to end the year on budget. The department's current projected savings in salaries and fringe benefits costs will be reduced as the 311 call center positions are hired in February and as positions from the Department of Public Works transition to the City Administrator's Office as part of the General Service Agency reorganization implemented during the FY 2006-07 Budget.

The **Assessor-Recorder's Office** is projected to end the year with a \$0.34 million of expenditure savings due to hiring delays related to their additional appraiser and assessment clerk staff approved in the FY 2006-07 budget. The department recently completed a successful round of recruitments and is slated to have nine clerks joining the staff in January and another appraiser slated to be hired in February. Recorder revenues, however, are projected to be short by \$0.39 million due to fewer document recordings, resulting in a net departmental shortfall of \$0.05 million overall.

The **Board of Supervisors** is projected to be on budget.

The **City Attorney's Office** is currently projected to have a \$4.44 million shortfall due to litigation costs stemming from the County Jail #3 Replacement Project. The City Attorney is working with its client department, Public Works, and a General Fund supplemental appropriation is assumed in our projection.

The **City Planning Department** is projected to have expenditure savings of \$0.73 million mainly do to higher attrition savings and hiring delays. On the revenue front, the department is experiencing a slowdown in building permit applications as well as conditional use and variance filings resulting in a projected revenue shortfall of \$1.31 million. City Planning will need to achieve additional salary savings from hiring delays, as well as closely manage their time and materials billings to end the year on budget. They are already implementing these plans in an effort to fully cover their revenue shortfall. Absent that occurring, the department would have a \$0.58 million net shortfall overall because of revenue weakness.

The **Human Resources Department** is projected to end the year on budget. The department has a projected deficit of \$0.39 million due to overspending in temporary salaries to fund proctoring costs for position-based testing and a \$0.34 million projected deficit due to overspending in salaries. However, this deficit is offset by an additional \$0.60 million in work order recoveries to cover the proctoring costs related to various departments and a \$0.13 million reduction in professional contracts mainly due to slight savings in negotiating labor contracts.

The **Mayor's Department** is projected to end the year on budget. Current surpluses in salaries and fringe benefit costs are projected to be used by projected staff costs and recruitments.

The **Elections Department** is projected to end the year with a \$1.00 million deficit. This projected deficit is due to paying approximately \$1.20 million for additional ballot costs for the November 2006 election, less a partially offsetting savings of \$0.20 million in projected salary costs. A supplemental is appropriation of General Fund for \$1.00 million is assumed in our projection. The Elections Department is projected to have \$1.78 million in higher revenues due to State reimbursements for prior-year special elections costs, for a net operating surplus of \$0.78 million.

The **Department of Telecommunications & Information Systems** is projected to end the year with a \$0.12 million expenditure shortfall in General Fund spending due to citywide projects including the Rule 20 Underground Conversion project costs.

The **Treasurer / Tax Collector's Office** is projected to end the year at \$0.50 million surplus from salary savings resulting from hiring delays and difficulty in backfilling positions where staff are on month-to-month unpaid leave.

Transfers Out

- 1) Pursuant to the Baseline Requirements, outlined on page 6, no additional **Transfer Out – Contribution to Children's Services** is projected as the Children's Baseline remains \$1.56 million surplus funded, even after taking into consideration higher discretionary revenue levels primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 2) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to the Library** is projected to be \$0.72 million more than is currently budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 3) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to Parking & Traffic** is projected to be \$0.80 million more than budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 4) Pursuant to the Baseline Requirements, outlined on page 6, the **Transfer Out – Contribution to MUNI** is projected to be \$2.21 million more than budgeted due to better discretionary revenue primarily attributable to property tax, hotel room tax, interest income, real property transfer tax, and business payroll tax revenues.
- 5) The **Transfer Out – Contribution to SFGH** is projected to be \$1.12 million less than budget due to a net surplus in the San Francisco General Hospital's budget principally related to higher revenues. This results in net General Fund savings. See the discussion concerning Public Health on pages 22-23 above.
- 6) The **Transfer Out – Contribution to LHH** is projected to be \$0.08 million less than budget due to a net surplus in Laguna Honda Hospital's budget due mainly to higher MediCal base per diem reimbursement rates than assumed in the budget. This results in net General Fund savings. See the discussion concerning Public Health on pages 22-23 above.

Workers Compensation

Workers' compensation reforms are continuing to contribute to projected cost savings. Overall, the City's FY 2006-07 workers' compensation costs are projected to be \$1.87 million greater than FY 2005-06 actuals, though still being \$1.55 million better than was assumed in the FY 2006-07 budget. This results in a 2.1 percent projected savings from budgeted levels. The savings are explained by lower numbers of reported claims. The estimates are based on six-month actuals as well as prior-year spending patterns.

Workers Compensation

FY 2005-06 FY 2006-07

<u>Fund/Service Area</u>	<u>(millions)</u>	<u>Actuals</u>	<u>Revised Budget</u>	<u>6-Month Projection</u>	<u>Surplus/ (Deficit)</u>	<u>% Change from PY</u>
<u>GENERAL FUND</u>						
Recreation & Park		\$ 3.33	\$ 3.59	\$ 2.89	\$ 0.70	-13.1%
Public Health		1.39	1.54	1.09	0.45	-21.9%
Sheriff		3.18	2.91	2.71	0.20	-14.9%
District Attorney		0.18	0.21	0.10	0.11	-42.5%
Human Services		2.47	2.53	2.46	0.06	-0.3%
Fine Arts Museum		0.23	0.25	0.19	0.06	-15.7%
Fire Department		7.43	7.98	7.93	0.05	6.7%
Health Service System		0.05	0.07	0.04	0.03	-14.0%
City Administrator		-	0.02	-	0.02	100.0%
Treasurer/Tax Collector		0.20	0.18	0.20	(0.02)	2.5%
Adult Probation		0.38	0.34	0.36	(0.02)	-4.1%
Emergency Management		-	0.38	0.45	(0.07)	100.0%
City Attorney		0.19	0.22	0.31	(0.09)	59.6%
Juvenile		1.19	1.21	1.30	(0.09)	8.6%
Human Resources w/ All Other Small Depts.		1.20	1.24	1.47	(0.23)	22.4%
Police Department		9.83	10.14	11.24	(1.10)	14.3%
Subtotal General Fund (GF)		\$ 31.26	\$ 32.81	\$ 32.75	\$ 0.06	4.8%
<u>GENERAL FUND SUBSIDIZED</u>						
Public Health						
SF General Hospital		\$ 4.33	\$ 4.79	\$ 5.11	\$ (0.32)	18.0%
Laguna Honda Hospital		3.17	3.33	2.99	0.34	-5.8%
Subtotal General Fund Subsidized		\$ 7.50	\$ 8.12	\$ 8.10	\$ 0.03	7.9%
Subtotal General Fund & Subsidized		\$ 38.76	\$ 40.93	\$ 40.85	\$ 0.09	5.4%
% Change from FY 2005-06 Actuals				5.4%		
% Change from FY 2006-07 Revised Budget				-0.2%		

FY 2005-06 FY 2006-07

<u>Fund/Service Area</u>	<u>Actuals</u>	<u>Revised Budget</u>	<u>6-Month Projection</u>	<u>Surplus/ (Deficit)</u>	<u>% Change from PY</u>
<u>OTHER FUNDS</u>					
Public Library	\$ 1.80	\$ 2.15	\$ 1.30	\$ 0.85	-27.4%
Airport Commission	2.13	1.99	1.47	0.53	-31.1%
Port	0.87	1.10	0.67	0.44	-23.0%
Public Works	3.34	3.43	3.00	0.42	-10.2%
Public Utilities Commission	3.32	3.76	3.41	0.35	2.8%
War Memorial	0.32	0.36	0.18	0.18	-43.6%
Telecommunications & Info Svcs	0.35	0.40	0.35	0.05	-0.4%
Child Support Services	0.12	0.14	0.14	(0.01)	22.5%
Rent Board	0.03	0.01	0.02	(0.01)	-36.0%
Building Inspections	0.17	0.17	0.21	(0.04)	20.4%
City Administrator	0.08	0.13	0.23	(0.10)	187.6%
Police Department (Airport)	-	0.45	0.65	(0.21)	100.0%
Municipal Transportation Agency*	18.99	19.10	20.10	(1.00)	5.9%
Other Small Departments **	0.44	-	-	-	-100.0%
Subtotal Non-General Fund	\$ 31.96	\$ 33.21	\$ 31.74	\$ 1.46	-0.7%
GRAND TOTAL	\$ 70.72	\$ 74.14	\$ 72.59	\$ 1.55	2.6%
% Change from FY 2005-06 Actuals			2.6%		
% Change from FY 2006-07 Revised Budget			-2.1%		

* The Municipal Railway contracts out its own Workers Compensation program with a third party administrator.

** Retirement System and Trial Court actuals and budget are excluded from all years.

Energy – Natural Gas

Energy costs are projected to result in \$2.32 million of savings overall. The General Fund Supported operations are projected to show savings of \$0.72 million, and other self-supporting operations are projected to show savings of \$1.61 million.

Energy Costs – Variance from Budget (\$ Millions)

				<i>Sort Order</i> Variance from Budget
<u>GENERAL FUND</u>	Power	Gas	Steam	
Juvenile Probation	(0.00)	0.12	0.00	0.11
Fine Arts Museums	0.05	0.02	0.00	0.06
Fire Department	(0.00)	0.02	0.00	0.02
Recreation & Parks	(0.01)	0.03	0.00	0.02
Sheriff	(0.04)	0.06	0.00	0.02
Human Services Agency	(0.00)	0.01	0.00	0.01
Real Estate Department	0.02	(0.00)	0.00	0.02
Other Departments	(0.00)	0.01	0.00	0.00
Asian Art Museum	(0.00)	(0.01)	0.00	(0.01)
Police Department	(0.00)	(0.01)	0.00	(0.01)
Courts	(0.00)	0.00	(0.02)	(0.02)
Public Health	(0.02)	0.00	(0.00)	(0.02)
Total General Fund	(0.03)	0.25	(0.02)	0.21
<u>GENERAL FUND SUBSIDIZED</u>				
Non General Fund				
Convention Facilities	(0.10)	0.00	0.42	0.33
SF General Hospital	0.00	0.09	0.00	0.09
Laguna Honda Hospital	0.00	0.09	0.00	0.09
Subtotal General Fund Subsidized	(0.10)	0.18	0.42	0.51
Subtotal General Fund & Subsidized	(0.12)	0.43	0.41	0.72
<u>OTHER FUNDS</u>				
Airport	0.85	0.04	0.00	0.89
Public Utilities Commission	0.20	0.01	0.00	0.21
Municipal Railway	0.06	0.00	0.00	0.07
Port	0.07	0.00	0.00	0.07
War Memorial	0.01	0.03	0.00	0.04
Other Departments	0.29	0.09	0.00	0.39
Public Library	(0.02)	0.01	(0.04)	(0.05)
Subtotal Non-General Fund	1.46	0.19	(0.04)	1.61
GRAND TOTAL	\$ 1.34	\$ 0.62	\$ 0.37	\$ 2.33

Overtime Costs

Overtime costs are projected to represent 6.0 percent of personnel salary costs versus the 4.2 percent assumed in the budget. This results in overtime costs exceeding budget by approximately \$39.55 million Citywide. The table below includes an overtime summary by key user department. Two projection methodologies are included: 1) straight-line and 2) 'adjusted' (which adjusts for hiring plans, seasonality and other one-time events). As in the past, the MTA, Police, Public Health, Fire, Sheriff and the PUC account for nearly 90 percent of total overtime spending in the City.

Overtime Costs (\$ Millions)

Overtime Spending - All Funds by Major Department

US\$ Millions, for Overtime Pay

Fund/Service Area	FY 2005-06	FY 2006-07		Surplus/ (Deficit)	Adjusted Projection	Adj. Surplus/ (Deficit)
	Actual	Revised Budget*	Straight Line Projection*			
MTA						
Municipal Railway	\$ 32.96	\$ 26.73	\$ 39.09	\$ (12.35)	\$ 34.73	\$ (8.00)
Parking & Traffic	0.98	0.81	1.43	(0.62)	1.43	(0.62)
Subtotal - MTA	33.94	27.55	40.51	(12.97)	36.16	(8.61)
Police						
General Fund Operations	18.27	15.97	21.07	(5.10)	21.07	(5.10)
Special Law Enforcement Services (10B)**	9.83	9.78	9.78	0.00	9.78	0.00
Grants & Other Non-10B Special Revenues	3.15	1.07	1.36	(0.29)	1.07	0.00
Airport	1.85	1.31	2.14	(0.83)	2.14	(0.83)
Subtotal - Police	33.10	28.13	34.34	(6.22)	34.05	(5.92)
Public Health						
All Other Non-Hospital Operations	0.69	0.77	0.82	(0.05)	0.82	(0.05)
Grants & Other Special Revenues		0.20	0.03	0.17	0.03	0.17
SF General	6.13	4.55	8.22	(3.68)	8.22	(3.68)
Laguna Honda Hospital	7.52	2.20	8.17	(5.97)	8.17	(5.97)
Subtotal - Public Health	14.34	7.71	17.24	(9.52)	17.24	(9.52)
Fire						
General Fund Operations	7.22	14.58	14.44	0.14	14.58	0.00
Grants & Other Special Revenues	1.30	0.11	2.80	(2.69)	0.11	0.00
Airport	1.66	1.53	2.06	(0.53)	2.06	(0.53)
Port	0.18	0.21	0.24	(0.03)	0.24	(0.03)
Subtotal - Fire	10.36	16.43	19.53	(3.11)	16.98	(0.56)
Sheriff	10.76	8.43	13.21	(4.77)	11.31	(2.88)
PUC	6.52	3.08	6.55	(3.48)	6.55	(3.48)
Subtotal - Big 6	109.01	91.32	131.39	(40.07)	122.29	(30.97)
Airport Commission	1.59	1.10	1.74	(0.63)	1.74	(0.63)
Elections	0.46	0.39	0.66	(0.27)	0.39	0.00
Fine Arts Museum	0.71	0.09	0.69	(0.59)	0.69	(0.59)
Human Services Agency	2.52	0.20	1.04	(0.84)	1.04	(0.84)
Juvenile Probation	1.26	1.13	1.86	(0.73)	1.86	(0.73)
Recreation & Park	1.94	0.27	2.68	(2.41)	2.68	(2.41)
All Other Departments	6.70	4.59	7.96	(3.36)	7.96	(3.36)
Total	\$ 124.18	\$ 99.11	\$ 148.02	\$ (48.92)	\$ 138.65	\$ (39.55)
Big 6 % of Total	87.8%	92.1%	88.8%	81.9%	88.2%	78.3%
Change from Prior Year	\$ 24.14	\$ (25.08)	\$ 23.84		\$ 14.47	
Change from FY 2000-01 Peak	\$ 11.72	\$ (13.35)	\$ 35.57		\$ 26.19	
Total Gross Salaries (Cash Compensation, Millions)	\$ 2,135.33	\$ 2,358.29	\$ 2,313.33		\$ 2,313.33	
Overtime as a % of Total Gross Salaries	5.8%	4.2%	6.4%		6.0%	

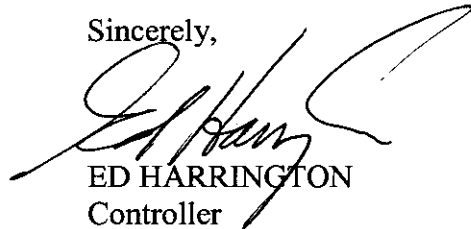
* Straight line projections do not adjust for savings plans, seasonality or other one-time events.

** Police 10B Revised Budget reflects self-appropriation levels equal to the straight-line projection.

CONCLUSION

Funds available are sufficient to carry the City through the remainder of the fiscal year and result in a projected year-end General Fund balance of \$126.62 million. My staff and I are available to respond to any comments or questions you may have at this time.

Sincerely,



ED HARRINGTON
Controller

Attachments: Appendix A Status of Supplemental Appropriations
Appendix B Status of Reserves – Current Year
Appendix B1 Status of Reserves – Prior Years
Appendix C MOU Reserve Update
Appendix D Other Fund Highlights

cc: Department Heads
Nani Coloretti, Mayor's Budget Office
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations
FY 2006-07 As of January 31, 2007**

GENERAL FUND SUPPORTED SUPPLEMENTALS	APPROVED CHANGES	PENDING / POTENTIAL CHANGES	USING GENERAL RESERVE or FUND BALANCE
Board Approved Supplementals			
MTA- Traffic Calming & Alemany Improvements <i>General Fund Portion</i>	\$ 50,000		\$ 50,000 FB
HRC- 1 HRC Representative Position	\$ 54,807		\$ 54,807
DPH- 4 Public Health Nurse for maternal and Senior Units	\$ 394,477		\$ 276,476
DPH- Mental Health Wrap Around Services	\$ 950,000		
Various- Violence Prevention	\$ 2,258,089		\$ 2,258,089
HSA- State and Federal Grants for CalWORKS, Child Welfare, & Other New Grants	\$ 10,675,589		
SHF- Federal, State and General Fund Reserve for Overtime Costs	\$ 1,250,941		\$ 635,451
ADM- Purchase 3 buildings <i>General Fund Portion</i>	\$ 2,721,727		
HSA- Working Families Credit Program Outreach	\$ 75,000		\$ 75,000
JPD/DCYF- Violence Prevention Funding	\$ 2,006,473		\$ 779,370
<i>Less Children's Fund Portion</i>	\$ (1,000,000)		
Total Changes Approved	\$ 19,437,103		\$ 4,129,193
<i>Supported by New General Fund Revenues</i>	<i>\$ 12,586,189</i>		
<i>Supported by Rainy Day Reserves</i>	<i>\$ 2,721,721</i>		
<i>Supported by General Fund Reserve</i>	<i>\$ 4,079,193</i>		
<i>Supported by Fund Balance</i>	<i>\$ 50,000</i>		
Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection			
REG- 2 Election Outreach Workers		\$ 78,344	\$ 78,344
REC/DPW- Geneva Boulevard Car Barn Repairs and Alemany Boulevard Greening		\$ 850,000	
DPH- Develop a Comprehensive AIDS Planning Process		\$ 100,000	\$ 100,000
DPH- Backfill US Department of Health & Human Services CMS AIDS Funding		\$ 641,973	\$ 641,973
Total Supplementals Pending at the Board - Not Assumed Approved in 6-Month Projection		\$ 1,670,317	\$ 820,317
Additional Anticipated Supplementals			
CAT- Non-Personnel Services to Support Jail No. 3 Replacement Litigation		\$ 4,440,000	\$ 4,440,000
CPC- Consultant Services for Transbay Shadow and Wind Studies (Revenue Supported)		\$ 480,000	
REG- Elections		\$ 1,000,000	\$ 1,000,000
DPH- SF General Hospital Operations Expenditures (Revenue Supported)		\$ 13,270,000	
DPH- Laguna Hospital Operations Expenditures (Revenue Supported)		\$ 3,690,000	
Total Additional Anticipated Supplementals- As Noted in 6-Month Projection		\$ 22,880,000	\$ 4,440,000
NON-GENERAL FUND SUPPORTED SUPPLEMENTALS			
Approved Supplementals			
MTA- Traffic Calming Projects & Alemany Pedestrian Improvements	\$ 450,000		\$ 400,000
<i>Less General Fund Portion</i>	<i>\$ (50,000)</i>		
DPW- Additional State Traffic Congestion Funds	\$ 4,295,259		
ADM- Purchase 3 buildings, 1 S. Van Ness, 1650 Mission, 30 Van Ness	\$ 162,000,000		
PUC- SFPUC Water System Improvement Program (WSIP)	\$ 217,736,000		
DPW- Sidewalk Inspection and Repair Program	\$ 1,277,584		
JPD/DCYF- Violence Prevention Funding (<i>Children's Fund Portion</i>)	\$ 1,000,000		\$ 1,000,000
Total Changes Approved	\$ 386,708,843		\$ 1,400,000
Supplementals Pending at the Board			
DPW- Community Challenge Grant Program		\$ 201,643	\$ 201,643
Total Supplementals Pending		\$ 201,643	\$ 201,643
Additional Anticipated Supplementals			
AIR - Deappropriation of Capital for San Francisco International Airport		\$ (8,547,251)	
AIR - Reappropriation of Capital for San Francisco International Airport		\$ 10,549,123	
MTA- MUNI 3rd St. Light Rail lease-leaseback transaction		\$ 3,000,000	
PUC- Chemical Cost Increases		\$ 755,000	\$ 755,000
Total Additional Anticipated Supplementals		\$ 5,756,872	\$ 755,000

**APPENDIX B: Status of Reserves – Current Year
As of January 31, 2007**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
x ADM--City Administrator, General Services Agency--Building Structure and Improvements Pending Move from 875 Stevenson		\$ 800,000	\$ -	\$ 800,000
x AIR--Airport--Equipment Pending Availability of UASI Grants		\$ 141,000	\$ -	\$ 141,000
x AIR--Airport--Salaries and Wages Pending Review of Possible Funding from Visitor's Bureau		\$ 88,839	\$ -	\$ 88,839
x CPC--City Planning--Temporary Salaries Pending Additional Department Director Recruitment Information		\$ 111,087	\$ -	\$ 111,087
x CPC--City Planning--Institutional Master Plans Subject to Certification of Master Plans by the Planning Department Pursuant to Planning Code		\$ 225,000	\$ 19,892	\$ 205,108
x DPW--Public Works, General Services Agency--Asphalt Plant Pending Report to Board of Supervisors on Options for Obtaining Asphalt		\$ 1,732,799	\$ 1,732,799	\$ -
x DSS--Human Services Agency--Salaries and Wages Pending Information About CalWorks Participation Rates		\$ 413,517	\$ 259,490	\$ 154,027
x ECD--Emergency Communications--Rents and Leases Pending Staffing Levels Proposed for Move to 25 Van Ness Avenue		\$ 114,000	\$ -	\$ 114,000
x ECN--Economic and Workforce Development--Nonpersonal Services Pending Comprehensive Workforce Development Plan Regarding Economic Growth		\$ 1,500,000	\$ -	\$ 1,500,000
x ENV--Environment--Professional Services Pending Finalization of Contract Negotiations with PG&E		\$ 2,000,000	\$ 2,000,000	\$ -
x HRD--Human Resources--Management Information System Pending Report to Board of Supervisors on Human Resources Information System		\$ 5,000,523	\$ -	\$ 5,000,523
x HSS--Health Service System--Salaries and Wages Pending Review of Service Level Improvements for New Positions		\$ 142,943	\$ -	\$ 142,943
x HSS--Health Service System--Salaries and Wages Pending Communications and Marketing Manager Classification Review		\$ 69,030	\$ -	\$ 69,030
JUV--Juvenile Probation--Salaries and Wages Pending Review of Salary Expenditures		\$ 27,406	\$ -	\$ 27,406
x LIB--Public Library--Salaries and Wages Pending Additional Information Regarding Expanded Library Operating Hours		\$ 447,151	\$ -	\$ 447,151
MTA--Municipal Transportation Authority - General Reserve Pending Actual Collection from Proof of Payment Program		\$ 10,000,000	\$ -	\$ 10,000,000
x POL--Police, Airport--Salaries and Wages, Uniform Pending Review and Implementation of Airport Police Staffing Report Recommendations		\$ 1,192,989	\$ -	\$ 1,192,989
x PRT--Port--Salaries and Wages Pending Review of Actual Attrition Rates		\$ 168,856	\$ -	\$ 168,856
x PUC--Public Utilities--Mayor's Energy Conservation Account Pending PUC Status Report on Community Choice Aggregation Implementation Plan, RFI Process and Funding Requirements for FY 2006-07		\$ 3,173,500	\$ -	\$ 3,173,500
x PUC--Public Utilities--Maintenance Services, Buildings & Structures Pending Review of Paving Services Costs		\$ 679,499	\$ -	\$ 679,499
x PUC--Public Utilities--Equipment Pending Additional Information on Hybrid Truck and Equipment		\$ 78,852	\$ -	\$ 78,852
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for Water Quality Bureau		\$ 850,000	\$ -	\$ 850,000
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for City Distribution Division		\$ 187,000	\$ -	\$ 187,000
x PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on Proposed Contracts for Water Supply and Treatment Bureau		\$ 355,740	\$ -	\$ 355,740

**APPENDIX B: Status of Reserves – Current Year
As of January 31, 2007 (continued)**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
x	PUC--Public Utilities--Professional and Specialized Services Pending Budget Detail on As-Needed Emergency Response Services	\$ 250,000	\$ -	\$ 250,000
x	PUC--Public Utilities--Equipment Pending Additional Information on New Trailer Purchase	\$ 125,000	\$ -	\$ 125,000
	PUC--Public Utilities--Wastewater--Capital Projects Pending Revenue from Bond Proceeds	\$ 38,575,000	\$ 38,575,000	\$ -
	PUC--Public Utilities--Water--Capital Projects Pending Revenue from Bond Proceeds	\$ 9,000,000	\$ 9,000,000	\$ -
	REC--Recreation and Park--Capital Pending Revenue from Bond Proceeds	\$ 25,000,000	\$ -	\$ 25,000,000
x	REC--Recreation and Park--Golf Fund Pending Study and Recommendations for Operation of City Golf Courses	\$ 5,939,315	\$ 2,969,658	\$ 2,969,657
x	REG--Elections--Temporary Salaries Pending Review of Contracting Out Absentee Voter Process	\$ 152,210	\$ 141,000	\$ 11,210
x	RET--Retirement--Salaries and Wages Pending Communications and Marketing Manager Classification Review	\$ 90,416	\$ -	\$ 90,416
x	TTX--Treasure Tax Collector--Programmatic Projects Pending Board Approval of Revenue Control Equipment Program	\$ 125,000	\$ 125,000	\$ -
Total Appropriation Reserves		\$ 108,756,672	\$ 53,501,860	\$ 55,254,812
General Fund Supported		9,883,398	828,490	9,054,908
All Other Funds		98,873,274	52,673,370	46,199,904

X = Indicates Board of Supervisors' Financial Committee Reserve

APPENDIX B1: Status of Reserves – Prior Years As of January 31, 2007

Prior Year Reserves

Department	Reserve Description	Remaining Balance of Reserve
Adult Probation	ADULT PROBATION ADMINISTR	\$ 18,318.00
Adult Probation	PROB. COMMUNITY SERVICES-	249,700.00
Adult Probation Total		268,018.00
Airport Commission	AIRFIELD IMPROVEMENTS-UNALLOC	1,400,689.00
Airport Commission	AIRPORT ROADWAYS-UNALLOC	528,253.00
Airport Commission	NOISE INSULATION-UNALLOC	86,064.65
Airport Commission	OWNER CONTROLLED INSURANCE PROG-UNALLOC	229,839.00
Airport Commission	PASSENGER FACILITY FEE PROJECT	18,106,928.00
Airport Commission	WEST FIELD CARGO REDEVELOPMENT-UNALLOC	22,655,000.00
Airport Commission Total		43,006,773.65
Art Commission	ART COMMISSION - SYMPHONY ORCHESTRA	780,689.22
Art Commission	CAE - HOTEL TAX - ADMINISTRATION	39,936.07
Art Commission	CEG-NEW ASIAN AMERICAN-PACIFIC ISLANDER	35,185.89
Art Commission Total		855,811.18
Asian Art Museum	ASBESTOS REMOVAL;TRACK LTG.	13,854.62
Asian Art Museum	FACILITIES MAINTENANCE	55,159.05
Asian Art Museum Total		69,013.67
Assessor/Recorder	VIACOM LITIGATION	4,492.86
Assessor/Recorder Total		4,492.86
Building Inspection	MIS SYSTEMS	509,250.00
Building Inspection Total		509,250.00
Children, Youth & Their Families	FIRST YEAR FUNDING FY 2005-06	150,000.00
Children, Youth & Their Families Total		150,000.00
City Administrator	TFCA-POLICE BICYCLE PATROL PROJECT	22,208.97
City Administrator	MOD OPERATINS SOPPORT	2,328.71
City Administrator Total		24,537.68
City Planning	VISITATION VALLEY REDEV SURVEY AREASTUDY	100,000.00
City Planning Total		100,000.00
Economic & Workforce Development	3COM PARK PROJECT	997.64
Economic & Workforce Development Total		997.64
Emergency Management	FY05 UASI-OES/ESCRT	1,019,656.00
Emergency Management Total		1,019,656.00
Environment	SOUTHEASTERN ENVIRONMENTAL	2,466,149.00
Environment Total		2,466,149.00
General City Responsibility	CITY WIDE EMAIL	85,523.70
General City Responsibility	SFFC EQUIPMENT LEASE REV - SERIES 2003	455,000.00
General City Responsibility Total		540,523.70
Human Services	ADMIN ALLOCABLE OVERHEAD	226,682.00
Human Services	IHSS SHARE OF COST PILOT	2,281.95
Human Services	MULTI SERVICE CENTER NORTH	200,000.00
Human Services Total		428,963.95
Juvenile Probation	JUVENILE HALL-G/F	49,523.00
Juvenile Probation Total		49,523.00

Prior Year Reserves (continued)

Department	Reserve Description	Remaining Balance of Reserve
Mayor	MISSION HOUSING DEVELOPMENT CORP	360,000.00
Mayor	MOCD HOMELESS ADMINISTRATION BUDGET	50,000.00
Mayor	MOH PLANNING & CAPACITY BLDG POOL	3,133.00
Mayor	ADMINISTRATION BUDGET	774,245.00
Mayor	CBO'S MASTER POOL ACCOUNT	57,271.00
Mayor	COOPERATIVE HOUSING BUDGET	1,000,000.00
Mayor	HOME-CHDO COMMUNITY HSNG CORP ADMIN COST	50,000.00
Mayor	HOME-MOH ADMINISTRATION BUDGET	10,025.00
Mayor	MOH ADMINISTRATION BUDGET	109,384.00
Mayor	SEISMIC SAFETY LOAN DISBURSEMENT	15,000.00
Mayor	2006 MOH-HOME INVESTMENT PARTNERSHIP	5,000,000.00
Mayor Total		7,429,058.00
Municipal Transportation	0038J-GRANITE EXCAVATION	14.74
Municipal Transportation Total		14.74
Police	FIELD OPERATIONS	1,880,548.00
Police	S F TRAFFIC OFFENDER PROGRAM	20,850.00
Police Total		1,901,398.00
Port Commission	BSW CONSTRUCTION	9,000,000.00
Port Commission	SOUTHERN WATERFRONT ENVIRONMENTAL	159,549.00
Port Commission Total		9,159,549.00
Public Works	0757J-RESERVE	46,633.00
Public Works	1990N - ALLOC 4TH ST BRDGE RETRO PE PH2	4,000,000.00
Public Works	CHINATOWN ALLEWAY IMPROVEMENT	598,828.00
Public Works	DPW-BBR HOJ EMERGENCY GENERATOR 05/06	1,010,250.00
Public Works	DPW-BBR HOJ FIRE ALARM PANEL 05/06	573,000.00
Public Works	GEN 6618E THIRD ST BRIDGE RETROFIT	90,000.00
Public Works	MISC FAC MAINT PROJ	15,636.22
Public Works	MSTR PRJ-ESP1 SFFD ORG 310300/IC 310132	173,360.00
Public Works	STREETSCAPE IMP PROJECTS BUDGET	16,500,000.00
Public Works	0809J-BOS RESERVE	2,507,800.00
Public Works Total		25,515,507.22
Recreation & Park	INTEREST EARNED	54,865.31
Recreation & Park	MACAULAY PARK	8,594.25
Recreation & Park	MID-EMBARCADERO MUSIC CONCOURSE	309,000.00
Recreation & Park	OS CAPITAL PROGRAM MGMT-BUDGET	3,464,972.00
Recreation & Park	SAVA POOL	100,000.00
Recreation & Park Total		3,937,431.56
Telecommunication & Info Svcs	CABLE FRANCHISE NEGOTIATION	250,000.00
Telecommunication & Info Svcs Total		250,000.00
Treasurer/Tax Collector	TTX-INVESTMENT PROGRAM BU	1,071,000.00
Treasurer/Tax Collector Total		1,071,000.00
Public Utilities Commission	SOLAR POWER PROJECT	12,500,000.00
Public Utilities Commission Total		12,500,000.00
Sheriff	JAIL NO. 7	667,530.00
Sheriff	VIOLENCE PREVENTION	60,000.00
Sheriff Total		727,530.00
Grand Total		\$ 111,985,198.85

Appendix C: MOU Reserve Update

FY 2006-07 2nd Quarter MOU Reserve Update

SOURCES

MOU Reserve

Adopted AAO MOU Reserve	\$ 24,376,841
Carryforward from FY 2005-06	14,097,014
Total Sources (MOU Reserve)	\$ 38,473,855

USES

Transferred to Departments

Public Health - 22.2 Nurses and Temporary Staff	\$ 3,253,853
Various - Visual Display Terminal Insurance - Quarter 1 & Quarter 2	70,235
Various - Local 21 Life Insurance	283,543
Various - SEIU Training Fund - 1st payment	217,954
Sheriff - Deputy Sheriff's Association - Market increase	806,939
City Attorney - Severance Pay	114,840
City Attorney - Wellness Pay	40,767
Public Health - Step Adjustment Correction	2,781,791
Police - Wellness	737,500
Various - Management Classification & Compensation Pay (MCCP) Adjustment	30,399
Subtotal - Transfers through January 31, 2007	\$ 8,337,822

Remaining Allocations

MOU increases and other salary adjustments (Fire Fighters, Local 21, Nurses, Supervising Nurses, Police Officers)	\$ 10,347,656
Retirement Payout (Fire Fighters, Police Officers, etc.)	10,943,455
Wellness Program Pay-Outs (Fire Fighters, Police Officers, SEIU)	3,604,829
Salary and Benefits Increase (Elected Officials, MEA, Deputy Probation Officers, specific job classes as identified in MOU contracts)	688,236
Training (Crafts, Fire Fighters, Laborers, Attorneys, Nurses, Police Officers, Sheetmetal workers, SEIU employees, tuition reimbursent)	3,324,093
Recruitment and Retention (Physicians and Dentists Settlement Retention Pay, Nurses, Police Officers, SEIU employees)	1,138,000
Visual Display Terminal Insurance - FY 2006-07 Quarters 3 - 4	89,765
Subtotal - Remaining Allocations	\$ 30,136,033
Total Uses	\$ 38,473,855

APPENDIX D: Other Fund Highlights, (millions)

		<u>Prior Year</u>			<u>Current Year</u>			
		<u>FY 2005-06</u>	<u>Fund</u>		<u>Sources</u>	<u>Uses</u>	<u>Net</u>	<u>Estimated</u>
		<u>Year-End</u>	<u>Balance</u>	<u>Used in FY</u>	<u>Better /</u>	<u>Savings /</u>	<u>Operating</u>	<u>Year-end</u>
		<u>Fund</u>	<u>2006-07</u>	<u>Surplus /</u>	<u>(Lower)</u>	<u>(Shortfall)</u>	<u>Surplus /</u>	<u>Fund</u>
		<u>Balance</u>	<u>Budget</u>	<u>(Shortfall)</u>	<u>than</u>	<u>from</u>	<u>(Deficit)</u>	<u>Balance</u>
		<u>Balance</u>	<u>Budget</u>	<u>(Shortfall)</u>	<u>Budget</u>	<u>Budget</u>	<u>(Deficit)</u>	<u>Balance</u>
<u>Special Revenue Funds</u>								
(1)	911 Fund	\$6.72	\$2.19	\$4.53	\$2.78	\$0.00	\$2.78	\$7.31
(2)	Building Inspection Fund	\$25.12	\$8.42	\$16.70	(\$4.35)	\$1.19	(\$3.16)	\$13.54
(3)	Child Support Services Fund	\$0.56	\$0.13	\$0.43	(\$0.17)	\$0.17	\$0.00	\$0.43
(4)	Children's Fund	\$5.31	\$3.55	\$1.76	\$0.96	(\$1.00)	(\$0.04)	\$1.72
(5)	Convention Facilities Fund	\$5.66	\$0.00	\$5.66	\$0.00	\$0.00	\$0.00	\$5.66
(6)	Culture & Rec - Marina Yacht Harbor Fund	\$1.75	\$0.13	\$1.62	\$0.20	\$0.00	\$0.20	\$1.82
(7)	Gas Tax Fund	(\$0.16)	\$0.00	(\$0.16)	\$0.00	\$0.00	\$0.16	\$0.00
(8)	Golf Fund	\$0.46	\$0.11	\$0.35	\$0.00	(\$0.15)	(\$0.15)	\$0.20
(9)	Library Preservation Fund	\$14.58	\$5.54	\$9.05	\$1.72	\$0.00	\$1.72	\$10.77
(10)	Neighborhood Beautification Fund	\$0.20	\$0.00	\$0.20	\$0.02	\$0.00	\$0.02	\$0.22
(11)	Open Space Fund	\$7.59	\$2.43	\$5.16	\$1.30	\$0.62	\$1.92	\$7.08
(12)	War Memorial Fund	\$0.97	\$0.19	\$0.79	\$0.00	\$0.00	\$0.00	\$0.79
<u>Enterprise Funds</u>								
(13)	Airport Operating Fund	\$106.50	\$8.26	\$98.23	\$3.54	\$14.96	\$18.49	\$116.73
(14)	MTA – MUNI Operating Fund	\$32.89	\$20.96	\$11.92				pending further review
(15)	MTA - MUNI Transit Impact Fund	\$19.86	\$10.16	\$9.70	\$1.60	\$0.00	\$1.60	\$11.30
(16)	MTA – Parking &Traffic Operating Fund	\$12.33	\$4.14	\$8.19	(\$1.10)	\$0.00	(\$1.10)	\$7.09
(17)	Port Operating Fund	\$22.10	\$7.92	\$14.18	\$2.86	\$1.14	\$4.00	\$18.17
(18)	PUC – Hetch Hetchy Operating Fund	\$62.06	\$32.22	\$29.84	\$5.66	\$21.37	\$27.02	\$56.86
(19)	PUC – Wastewater Operating Fund	\$30.43	\$16.13	\$14.29	(\$2.05)	\$4.39	\$2.33	\$16.63
(20)	PUC – Water Operating Fund	\$53.93	\$5.51	\$48.42	\$4.38	(\$0.63)	\$3.76	\$52.18

APPENDIX D: Other Fund Highlights (continued)

Notes	Other Funds	Description
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Special Revenue Funds

- | | | |
|-----|---|---|
| (1) | 911 Fund | The 911 Fund began the current year with an additional \$4.53 M over the \$2.19 M appropriated in the budget. Additionally, sources are projected to be \$2.78 M better due to \$2.24 M in 911 Access Fees, \$0.55 M in Interest Income, less a partially offsetting \$0.01 M shortfall in miscellaneous fee collections. Expenditures are on track to be on budget overall; however, the department is projected to exceed its overtime budget by \$1.63 M with offsetting savings in permanent salary and fringe benefits costs. Staff retention and recruitment for call takers and dispatchers continue to be main operating concerns for the department. Once additional staff completes training, the department expects to reduce these overtime costs. The 911 Fund is projected to have a \$2.78 M net current year operating surplus, which then results in a projected year-end fund balance to \$7.31 M that will be available for use in the subsequent budget year. |
| (2) | Building Inspection Operating Fund | The Building Inspection Fund began the current year with an additional \$16.70 M over and above the \$8.42 M appropriated in the budget. However, current year revenues are projected to be \$4.35 M less than budget due primarily to lower than anticipated Building Permit and Plan Check activities. Expenditure savings of \$1.19 M are projected, which are related to salary savings, as a number of vacant positions were not filled for much of the year. This fund is projected to have an \$3.16 M net operating deficit, resulting in an \$13.54 M projected year-end fund balance. |
| (3) | Child Support Services Fund | The Child Support Services Fund began the current year with an additional \$0.43 M in fund balance over the \$0.13 M appropriated in the budget. Uses are projected to be \$0.17 M under budget due to personnel vacancies. Additionally, sources are projected to be \$0.17 M under budget since the department is only reimbursed for its expenditures. This results in a \$0.00 M net operating budget and a \$0.43 M year-end fund balance. |
| (4) | Children's Fund | The Children's Fund began the current year with an additional \$1.76 M in fund balance over and above the \$3.55 M appropriated in the budget. Subsequently, a supplemental appropriation for violence prevention was partially funded with \$1.00 M of this surplus. Additionally, sources are projected to be \$0.96 M better than budget due to higher Property Tax revenue. After factoring in the \$1.00 M supplemental, expenditures are projected to be on budget resulting in a \$1.72 M estimated year-end fund balance. |
| (5) | Convention Facilities Fund | The Convention Facilities Fund began the current year with \$5.66 M of additional fund balance available for appropriation. Current year revenues and expenditures are expected to be on budget, resulting in a projected \$5.66 M year-end fund balance available for appropriation. |

Notes	Other Funds	Description
(6)	Culture & Recreation – Marina Yacht Harbor Fund	The Marina Yacht Harbor Fund began the year with \$1.62 M in fund balance over the \$0.13 M appropriated in the budget. Sources are projected to be better by \$0.20 M due to a new lease agreement with the St. Francis clubhouse and increases in berthing fees. Expenditures will be on be on budget resulting in a \$0.20 M operating surplus, resulting in a projected year-end fund balance of \$1.82 M.
(7)	Gas Tax Fund	The Gas Tax Fund began the current year with a \$0.16 M shortfall in available fund balance. Revenues are projected to be on budget and expenditures will be controlled to bring the fund back into balance by fiscal year end. This results in a \$0.16 M net operating budget surplus and a \$0.00 M projected year-end fund balance.
(8)	Golf Fund	The Golf Fund began the current year with an additional \$0.35 M in fund balance over and above the \$0.11 M appropriated in the current-year budget. At this time, revenues are not projected to vary from budget. Expenditures are projected to be \$0.15 M over budget resulting in an end of year projected fund balance of \$0.20 M assuming present trends continue.
(9)	Library Preservation Fund	The Public Library began the current year with \$9.05 M of additional fund balance available for appropriation over and above the \$5.54 M appropriated in the current-year budget. Additionally, current-year sources are projected to be \$1.72 M better as a result of \$0.80 M in higher Property Tax revenue, \$0.72 M in additional Baseline funding, and \$0.20 M in higher Interest Income. Expenditures are projected to show no major variation from budget. This fund is projected to have a \$1.72 M net operating surplus and a \$10.77 M projected year-end fund balance.
(10)	Neighborhood Beautification Fund	The Neighborhood Beautification Fund began the current year with a \$0.20 M fund balance available for appropriation. Payroll Tax revenues are projected to be \$0.02 M better than budget, while expenditures are projected to be on budget. This results in a \$0.02 M net operating surplus and a \$0.22 M estimated fund balance by fiscal year-end.
(11)	Open Space Fund	The Open Space Fund began the year with \$5.16 M of additional fund balance over the originally appropriated \$2.43 M. Current year sources are projected to be \$1.30 M better than budget due to \$0.80 M in higher Property Tax revenues and \$0.50 M in Interest income. Expenditures savings of \$0.62 M are projected. This projection reflects a transfer of \$0.58 M in position costs for the General Fund (as discussed previously). This results in an operating surplus of \$1.92 M and a year-end fund balance of \$7.08 M.
(12)	War Memorial Fund	The War Memorial Fund began the current year with an additional \$0.79 M fund balance over the originally appropriated \$0.19 M budget. Sources and uses are projected to be on budget. Overall, this fund is projected to have year-end fund balance of \$0.79 M.

Notes	Other Funds	Description
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Enterprise Funds

- | | |
|--|--|
| (13) Airport
Operating
Fund | The Airport Operating Fund ended prior year with additional \$98.23 M over the \$8.26 M appropriated in the budget. Current year revenues are projected to be \$3.54 M better than budget due to \$1.25 M better in Terminal Rental revenues, \$1.91 M better in Interest Income, and \$0.38 M better in all other revenues. Air passenger enplanements and airline landed weight have been lower than assumed in the budget, projected to be 0.70% and 0.60% below budget, respectively. The department is projected to have \$14.96 M in expenditure surplus due to a projected \$5.51 M savings in salaries and fringe benefits costs for position vacancies of which \$2.24 M is attributable to Fire and Police Department's personnel, a projected \$5.26 M for delays in vendor selection for professional service contracts, \$2.63 M in debt service savings, and \$1.56 M in materials and supplies savings. The net result is a projected net operating surplus of \$18.49 M for the current year, resulting in an estimated fund balance of \$116.73 M by fiscal year-end. |
| (14) MTA-MUNI
Operating
Fund | The Municipal Railway Operating Fund ended the prior year with an additional \$11.92 M over the \$20.96 M appropriated in the budget. We will continue to work with the department to review their current year activity. A projected year-end fund balance will be included in our Nine-Month Report. |
| (15) MTA-Transit
Impact
Development
Fund | The Transit Impact Development Fund ended the prior year with \$9.70 M of fund balance of which \$10.16 M was appropriated in the current-year budget. Revenues are projected to be \$1.60 M better than budget due to Interest savings. This fund is projected to have a net operating surplus of \$1.60 M, which will result in a projected \$11.30 M fiscal year-end balance. |
| (16) MTA-Parking
& Traffic
Operating
Fund | The Parking & Traffic Operating Fund ended the prior year with an additional \$8.19 M over the \$4.14 M appropriated in the budget. Current year sources are projected to be \$1.10 M lower than budget due to \$1.90 M in lower parking meter collections plus \$0.80 M in higher baseline funding. Expenditures are projected to be at budget; however, salaries are projected to exceed budget by \$3.20 million and overtime by \$0.62 M. This is due to a combination of vacancies and previously unbudgeted initiatives such as the 1 California Project. Savings from other areas will be used to cover these overages. This fund is projected to have a net operating loss of \$1.10 M and an estimated fund balance of \$7.09 M by fiscal year-end. |
| (17) Port
Operating
Fund | The Port Operating Fund began the current year with additional \$14.18 M over and above the \$7.92 M appropriated in the budget. Current-year revenues are also anticipated to be higher than budget by \$2.86 M. This is mainly due to Parking revenues projected to be 12% over budget, and Interest revenue being higher due to higher interest rates, and greater fund balance. Expenditures are also anticipated to have savings of \$1.14 M due to salary savings resulting from resignations, retirements, and delays in hiring are also projected. The Port is |

Notes	Other Funds	Description
	Port Operating Fund (cont.)	therefore projecting an operating surplus of \$4.0 M and an estimated year-end fund balance of \$18.17 M.
(18)	PUC-Hetch Hetchy Operating Fund	The Hetch Hetchy Operating Fund began the current year with an additional \$29.84 M over and above the \$32.22 M appropriation in the budget. Additionally, current year revenues are projected to be \$5.66 M better than budget mainly as a result of higher than anticipated Interest Income. Expenditures are projected to be under budget by \$21.37 M due mainly to using banked energy rather than purchasing power as anticipated. Overall, a net operating surplus of \$27.02 M is projected, with a resulting estimated fund balance of \$56.86 M by fiscal year-end.
(19)	PUC-Wastewater Operating Fund	The Wastewater Operating Fund began current year with an additional \$14.29 M fund balance over and above the \$16.13 M appropriated in the budget. Current-year revenues are projected to be \$2.05 M under budget due mainly to lower consumption and associated lower Sewer Service Charge revenues. This is more than offset by a projected savings of \$4.39 M primarily attributable to salary savings due to hiring delays for a resulting net current-year operating surplus of \$2.33 M and an estimated fund balance of \$16.63 M by fiscal year-end.
(20)	PUC-Water Operating Fund	The Water Operating Fund began current year with additional \$48.42 M over and above \$5.51 M appropriated in the budget. Current-year revenues are projected to be \$4.38 M over budget. Wholesale Water Sales revenue are lower than budget due to lower usage; however, this was more than offset by higher than budgeted Interest Income. Expenditures are projected to be over budget by \$0.63 M due mainly to chemicals costing more than anticipated. A supplemental request to use fund balance is anticipated to cover this overage. The net current-year operating surplus is projected to be \$3.76 M and results in an estimated fund balance of \$52.18 M by fiscal year-end.

CITY AND COUNTY OF SAN FRANCISCO - CONTROLLER'S OFFICE

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APPENDIX F

THREE-YEAR GENERAL FUND BUDGET PROJECTION, FY 2007-08 THROUGH FY 2009-10

(Please go to the following URL for the City's Three-Year Budget Projection for General Fund Supported Operations for FY 2007-08 through FY 2009-10:

http://www.sfgov.org/site/uploadedfiles/controller/budget_information/3year/FY09-10.pdf



OFFICE OF THE CONTROLLER

March 21, 2007

The Honorable Gavin Newsom, Mayor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**Re: Three-Year Budget Projection for General Fund Supported Operations
FY 2007-08 through FY 2009-10**

Dear Mayor Newsom and Members of the Board of Supervisors:

The San Francisco Administrative Code Section 3.6 requires a three-year budget report to be issued annually by the Controller, the Mayor's Budget Director, and the Budget Analyst for the Board of Supervisors. This report projects budgetary sources and uses for General Fund Supported operations for FY 2007-08 through FY 2009-10 as follows.

	FY 2007-08	FY 2008-09	FY 2009-10
Projected Surplus / (Shortfall)	\$ (25.4)	\$ (85.3)	\$ 8.3

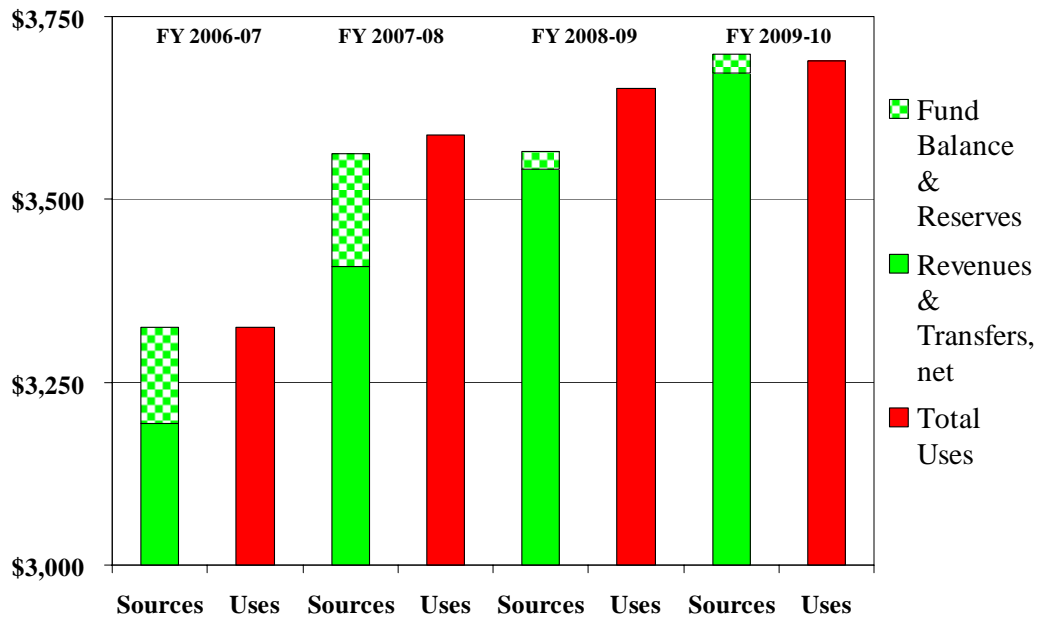
Table A on the following page highlights projected changes in General Fund supported operations, including the projected budgetary surpluses and shortfalls over the next three years. The key assumptions and findings in this projection report include:

- The FY 2007-08 shortfall of \$25.4 million assumes that the projected fund balance (including the \$126.6 million outlined in the Controller's Six-Month Report from FY 2006-07) remains available to help balance FY 2007-08. That fund balance is net of the supplemental appropriations introduced through March 16 and includes updated revenue projections. Any further supplemental appropriations this year will increase the shortfall.
- Wage increases for the open police, fire and nurses contracts are projected to grow at the rate of inflation which is estimated by the California Department of Finance at 2.5 %, 1.5% and 2.1% over the next three years. Any increases over those percentages will increase the shortfall. Every additional 1% increase equals \$6.1 million per year of General Fund cost.
- The projection for FY 2007-08 includes \$98.7 million for capital, facilities maintenance and equipment cash purchases including \$55.0 million called for in the 10-year Capital Plan, \$10.1 million for equipment, \$12.0 million for San Francisco General Hospital planning and \$21.6 million for furniture and fixtures for Laguna Honda Hospital. To the extent any of this is delayed or funded through debt, the shortfall will decrease.

- The \$85.3 million shortfall in FY 2008-09 is due, in large part, to the assumption that only the \$25.0 million budgeted in the general reserve will be available at the end of FY 2007-08 to help fund FY 2008-09. While this is how we have historically made these projections because we include all reasonably projected revenue in each year, we also have experienced greater fund balances in each year in the recent past. To the extent this occurs again in FY 2007-08, the shortfall for FY 2008-09 will decrease accordingly.

While the three fiscal year periods covered by this budget projection reflect either projected shortfalls or surpluses based on the current levels of service as assumed in this report, all final budgets must be balanced. As in the past, this report assumes that any prior-year projected shortfalls are balanced with ongoing solutions, including a combination of increased revenues and decreased expenditures.

**Table A: High-Level Summary for General Fund Supported Operations
 Projected Budgetary Surplus / (Shortfall), in millions**



GENERAL FUND SUPPORTED OPERATIONS	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Fund Balances	\$ 101.7	\$ 129.4	\$ 25.0	\$ 25.0
Reserves, net	30.5	25.6	-	-
Revenues & Transfers, net	3,193.2	3,408.2	3,540.8	3,673.5
Total Sources	\$ 3,325.4	\$ 3,563.2	\$ 3,565.8	\$ 3,698.5
<i>% Change from Prior Year</i>		7.2%	0.1%	3.7%
Personnel - Salaries & Fringes	1,723.8	1,796.6	1,846.7	1,905.6
All Other Non-Personnel Costs	1,601.6	1,792.0	1,829.8	1,895.2
Required Budget Balancing from Prior Year			(25.4)	(110.7)
Total Uses	\$ 3,325.4	\$ 3,588.6	\$ 3,651.1	\$ 3,690.1
<i>% Change from Prior Year</i>		7.9%	1.7%	1.1%
Projected Surplus / (Shortfall)	\$ -	\$ (25.4)	\$ (85.3)	\$ 8.3
<i>as % of Total Uses</i>		-0.7%	-2.3%	0.2%

Our projections reflect the estimated cost of providing the current level of City services through current business practices for General Fund Supported operations. These projections are not intended to commit the City to future spending levels. Actual funding decisions will be subject to availability of funds as well as policy decisions of the Mayor and Board of Supervisors. Additional key assumptions to note in this year's Joint Report are included below. Based on these assumptions, key budgetary changes in sources and uses are highlighted in Table B on page 5.

Assumptions Contained in the Budget Projection

- Most employee unions negotiated three-year labor Memoranda of Understanding **(MOU) agreements from July 1, 2006 through June 30, 2009**, resulting in projected cost of \$23.9 million in FY 2007-08, \$25.4 million in FY 2008-09, and \$3.0 million in FY 2009-10.
- For employee unions with **expiring MOUs as of June 30, 2007** (including Police, Fire, and Nurses) and all others **expiring as of June 30, 2009**, our projections assume cost increases equal to projected inflation of 2.5 percent (costing \$15.0 million), 1.5 percent (\$9.7 million) and 2.1 percent (\$35.9 million) for FY 2007-08, FY 2008-09 and FY 2009-10 respectively. Our inflation projections are based on the California Department of Finance's projected consumer price index for the San Francisco Bay Area. If increases in salaries exceed the levels of inflation assumed in this report, the projected shortfalls in years one and two shown above will increase by a like amount, and the surplus will decrease in year three. **An additional one percent salary increase over and above the inflation increase assumed in our projection equals \$6.1 million per year for both FY 2007-08 and FY 2008-09. For FY 2009-10, because all MOUs are open, an additional one percent salary increase over and above the inflation assumed in our projection equals \$16.3 million per year.**
- The Charter-mandated employer-share **retirement contribution** rate will decrease from 6.24 percent in FY 2006-07 to 5.91 percent in FY 2007-08 for Miscellaneous, Police and Fire employees. Cost savings related to the change in mandatory employer retirement contribution rates for SFERS are projected to be \$3.8 million in FY 2007-08, followed by projected savings of \$6.5 million and \$5.4 million in FY 2008-09 and FY 2009-10 respectively. The CalPERS retirement contribution rate is also set to decrease slightly in FY 2007-08 (going from 18.824 percent to 18.065 percent) for covered public safety personnel, resulting in projected savings of \$1.1 million in FY 2007-08, followed by projected savings of \$0.1 million in FY 2008-09.
- For all three years, we have assumed that the City's operating costs will reflect inflationary cost increases for **contract services, materials and supplies**. This results in projected increased cost of \$14.6, \$9.3 and \$13.2 million for FY 2007-08, FY 2008-09, and FY 2009-10 respectively. These increases are tied to inflationary increases of 2.5, 1.5 and 2.1 percent as projected by the California Department of Finance for the San Francisco Bay Area.

- Consistent with the Governor's Proposed **State Budget**, our projection includes **proposed net increased funding of \$3.1 million in FY 2007-08**. The Governor's Proposed State budget changes, which will impact San Francisco, are summarized on page 18. On a related note, continuation of property tax shifts implemented in prior years for the Educational Revenue Augmentation Fund (ERAF I and ERAF II) will cost the General Fund \$306.8 million in foregone revenue in FY 2007-08.
- We do not assume a General Fund backfill of any **Federal Budget** proposed reductions for the Homeland Security Urban Area Safety Initiative (UASI, estimated to be \$5.4 million in FY 2007-08), Ryan White AIDS grant funding (estimated to be \$0.8 million in FY 2007-08), Community Development Block Grant (CDBG), Medicare or Medicaid reductions.

The Community Oriented Policing (COPs) grant impact shown in our projection relates to prior-year, existing grant award funding, which requires a minimum continuation of employment for one year after grant expiration. However, our projection assumes the City backfills existing COPs grant-funded police officer positions as previously awarded grant funding expires in order to maintain police staffing levels over the next three years. On a related note, our projection also assumes no new future funding for the federal COPs program, as COPs grant funding has been eliminated in the proposed Federal budget. This means that local governments across the country now have one less funding source available for critical future police protection enhancement initiatives.

Table B: 3-Year Projection of Key Changes to General Fund Supported Sources & Uses, millions

	FY 2007-08	FY 2008-09	FY 2009-10
<u>SOURCES - Fund Balance & Prior-Year Reserves</u>			
Change in Fund Balance	27.7	(104.4)	0.0
Change in Reserves	(4.9)	(25.6)	0.0
Subtotal - SOURCES - Fund Balance & Prior-Year Reserves	22.8	(130.0)	0.0
<u>SOURCES - Revenues, Transfers In, State Budget Shifts & Redevelopment</u>			
General Taxes & Recurring Revenue Growth	167.0	120.0	123.5
Redevelopment Share of Property Tax	(4.4)	(4.0)	(9.4)
Human Services - Social Service Incremental Revenue Draw	15.5	(0.1)	3.4
Subtotal - General Fund	178.1	116.0	117.5
Public Health - Incremental Hospital Revenues	33.8	16.7	15.1
State Budget Impact	3.1		
Subtotal - SOURCES - Revenues, Transfers...	215.0	132.6	132.7
TOTAL CHANGES TO SOURCES	237.8	2.6	132.7
<u>USES - Salaries and Benefits</u>			
Annualize Partial Year Position Deletions & Additions (salaries & benefits)	(13.5)		
Closed MOUs - Prior year COLAs and Known Increases	(23.9)	(25.4)	(3.0)
Open MOUs - Increases Assumed at CPI, incl. Salary & Fringes	(15.0)	(9.7)	(35.9)
Health and Dental Benefit Costs - Active Employees & Dependents	(11.5)	(15.7)	(17.3)
Health Benefit Costs - Retirees	(8.3)	(7.0)	(7.7)
Pension - Employer Costs - SFERS & CalPERS	4.9	6.6	5.4
Change in Workdays & Leap Year Impact	(4.7)	1.5	0.0
Other Miscellaneous Costs - Long-term Disability, Social Security, Unemployment	(0.9)	(0.5)	(0.5)
Subtotal - USES - Salaries and Benefits	(72.8)	(50.1)	(58.9)
<u>USES - Other Non-Personnel</u>			
Baselines Requirements	(55.6)	(33.8)	(34.7)
Base Budget Annualizations	(7.9)		
Capital, Facilities Maintenance, Equipment & Technology (cash purchase)	10.0	(5.5)	(6.1)
CPI Inflation on Materials, Supplies, Professional Services & Non-Profit Contracts	(14.6)	(9.3)	(13.2)
Debt Service & Lease Payments	(3.2)	(0.3)	1.1
Paid Sick Leave Ordinance (Prop F November 2006)	(5.3)	(1.4)	
Utilities Costs	(7.9)	(0.5)	(1.3)
Workers Compensation	(4.1)	(2.2)	(2.4)
<u>Departmental Items ...</u>			
Elections - Number of Elections	(7.0)	7.0	(3.5)
Elections - Voting System Costs	(1.7)	1.5	(2.9)
Ethics - Supervisorial Campaign Financing	0.6	(0.8)	0.8
Ethics - Mayoral Campaign Financing	4.8		
Human Resources - Collective Bargaining Expenses	0.7	(2.1)	1.4
Human Services Agency Costs	(20.0)	(9.0)	(6.9)
Museums - Open New Academy of Science	(2.5)	(0.2)	0.1
Police - COPS Grant Local Match Funding Requirements	(10.2)	(0.7)	(0.7)
Police - Crime Lab Debt Service Costs			(5.0)
Police - Annualize 5 Classes of 50 Hired in FY 2006-07	(9.8)	(1.7)	
Subtotal - Police Dept.	(20.1)	(2.4)	(5.7)
Public Health - SF General Hospital Rebuild Planning Funding	(12.0)	12.0	
Public Health - Laguna Fixtures, Furniture & Equipment (cash purchase)	(21.6)	12.3	7.9
Public Health - Annualization of Revenue-Backed Supplemental	(17.9)		
Public Health - LHH Laundry, Healthy Kids & Young Adults, HAP IT Costs	(4.4)	(2.8)	(1.0)
Subtotal - Public Health Dept.	(55.9)	21.5	6.9
Rec Park - Higher Debt Service in Open Space with Operating Cost Shift to GF	(2.0)		
Redevelopment - Visitacion Valley & Bay View Hunters Point Loans	1.5		
Other Miscellaneous Departmental Items	(0.3)	(0.2)	0.9
Subtotal - USES - All Other Items	(190.4)	(37.8)	(65.4)
TOTAL CHANGES TO USES	(263.2)	(87.9)	(124.3)
Projected Surplus / (Shortfall)	\$ (25.4)	\$ (85.3)	\$ 8.3

SUMMARY OF OUR PROJECTIONS

The discussions under the SOURCES and USES sections below provide descriptions of the corresponding section of Table B on page 5.

SOURCES - Fund Balance & Prior Year Reserves

We are assuming the entire remaining FY 2006-07 General Fund projected year-end fund balance will be available as a source of funding for the FY 2007-08 budget. This fund balance and projected reserves result in year-over-year incremental sources of \$22.8 million. Key changes in fund balances and reserves include:

Fund Balance – General Fund Supported. Projected fund balance has increased largely due to the economic recovery resulting in increased revenues, as well as some departmental savings. All combined, an additional \$27.7 million is projected year-over-year from FY 2006-07's currently budgeted \$101.7 million level. The incremental \$27.7 million in additional fund balance is consistent with the Controller's Six-Month Report projections, updated for supplemental appropriations passed through the release of this report, assumed supplemental appropriations still anticipated for Elections, Jail Construction Litigation and revenue-backed Public Health operating costs, and updated revenue projections.

Reserves from Prior Years. Occasionally, unspent reserve balances established in prior years are available to cover budget costs. The FY 2006-07 budget was balanced using net available prior-year reserves totaling \$30.5 million. The net projected FY 2007-08 available reserves are estimated to be \$4.9 million lower mainly due to projected lower salary and benefits reserves. On a related note to reserves:

- **Rainy Day Reserve – Economic Stabilization Account.** No draw down from the Rainy Day Reserve's Economic Stabilization Account was included as a funding source in the FY 2006-07 budget, nor is any withdrawal projected over the subsequent three years. At this time, anticipated revenue growth in FY 2007-08 through FY 2009-10 results in the City being ineligible to use the Rainy Day's Economic Stabilization Account as a funding source for the City budget. Nor are additional deposits to the Rainy Day Reserve projected to be required from FY 2007-08 through FY 2009-10. However, FY 2006-07 deposits are now projected given the updated revenue projections included in this projection, namely higher projected Property Transfer Tax and Business Payroll Tax revenue growth.
- **Rainy Day Reserve – One-Time Spending Account.** The Rainy Day's One-Time Spending Account is projected to have \$15.1 million available for one-time spending based on projected accumulated balances and deposits made through FY 2006-07. This compares to the \$15.9 million budgeted in FY 2006-07. No additional deposits are projected over this three-year period. Our projection assumes the use of the entire \$15.1 million projected balance as a funding source for the FY 2007-08 budget.

- **Citywide Budget Savings Incentive Reserves.** The FY 2006-07 budget included \$2.6 million in savings reserves. Consistent with anticipated savings, \$5.4 million is projected to be available to fund FY 2007-08 spending, reflecting a \$2.8 million increase. For FY 2008-09 and FY 2009-10 available budget savings reserves are not projected. Our projection assumes the use of the entire \$5.4 million projected balance as a funding source for the FY 2007-08 budget.
- **Recreation & Park Budget Savings Incentive Reserves.** The FY 2006-07 budget included \$3.1 million in savings reserves. No remaining balance is projected for FY 2007-08 or thereafter.
- **Salary & Benefits (MOU) Reserves.** For FY 2007-08, \$5.2 million of funding is projected compared to the \$8.9 million included in the FY 2006-07 budget planning process. This results in a net reduction of \$3.7 million for FY 2007-08.

SOURCES – Revenues, Transfers In, State Budget & Redevelopment Impact

Overall for FY 2007-08, we estimate projected revenue growth of \$215.0 million (6.7 percent) from the FY 2006-07 budgeted levels. Attachments 1 and 2 summarize Revenue and Transfer-In sources for the three-year projection. Key highlights are noted below.

- **General Tax, Recurring Revenues & Transfers In.** Recurring Revenues & Transfers In are projected to increase \$178.1 million (6.9 percent) in FY 2007-08 from the FY 2006-07 original budget levels, followed by increases of \$116.0 million (4.2 percent) and \$117.5 million (4.1 percent) in FY 2008-09 and FY 2009-10 respectively. Notable strength projected in the General Fund is primarily due to Property Tax, Business Payroll Tax, Social Service Subventions from the State, Hotel Room Tax, and Sales Tax related revenue growth.
- **Redevelopment Tax Increment Requirement.** Tax increment funding allocated to the Redevelopment Agency is partially funded from Property Tax revenue that would otherwise accrue to the General Fund. The FY 2006-07 budget was based upon an assumed gross tax increment of \$71.1 million budgeted for the Redevelopment Agency – or \$13.9 million less than the \$85.0 million in total available tax increment that could be allocated to the Redevelopment Agency. Our projection includes growth in Redevelopment tax increment funding which would result in a net reduction to General Fund revenue of \$4.4 million in FY 2007-08 to fund increased debt service that is planned, along with \$4.0 and \$9.4 million in FY 2008-09 and FY 2009-10 respectively. Without this planned increase in tax increment funding to the Redevelopment Agency, this net revenue would otherwise accrue to the General Fund.
- **Humans Services Agency Revenue.** The Human Services Agency is projected to have departmental revenue growth of \$15.5 million in FY 2007-08 and \$3.4 million in FY 2009-10. FY 2008-09 is projected to have a small decrease of \$0.1 million. These revenue changes are offset by projected cost increases of \$20.0 million in FY 2007-08, \$9.0 million in FY 2008-09 and \$6.9 million in FY 2009-10 discussed further in the expenditure section below.

- **Public Health Department Revenue - Hospitals.** Public Health hospital revenues are also projected to grow \$33.8 million in FY 2007-08, \$16.7 million FY 2008-09 and \$15.1 million in FY 2009-10. These revenue changes are offset by projected cost increases of \$55.9 million in FY 2007-08, though cost savings are projected of \$21.5 million for FY 2008-09 and \$6.9 million for FY 2009-10 as discussed further in the expenditure section below.
- **State Revenue Impact.** Consistent with the Governor’s Proposed State Budget, our projection includes net \$3.1 million of projected incremental funding. On a related note, we have assumed the continuation of property tax shifts implemented in prior years for the Educational Revenue Augmentation Fund (ERAF I and ERAF II) of \$306.8 million annually. Further details are summarized on page 18.

In summary, total General Fund sources are projected to increase by \$237.8 million, including \$22.8 million in Fund Balance less reduced Prior Year Reserves and \$215.0 million in Revenues, Transfers In, and State Budget impact less increased Redevelopment Property Tax allocations.

USES – Salaries and Benefits

We are projecting increased labor cost for the General Fund of \$72.8 million in FY 2007-08, followed by increases of \$50.1 million in FY 2008-09 and \$58.9 million in FY 2009-10. These result from known MOU provisions for City employees, mandated health benefit and retirement cost increases, changes in the number of workdays in each fiscal year, as well as **assumed wage increases for open contracts equal to the projected rate of inflation**.

Additional expenditure increases due to Salaries and Benefits are discussed below.

- **Annualization of Partial-Year Position Funding.** In FY 2007-08, the City will incur additional cost to annualize positions funded for only a partial year in the FY 2006-07 budget. Most of the positions were funded for only three-quarters of a year. Annualization of partial-year positions results in additional cost of \$13.5 million to fund these positions for a full year.
- **MOU Costs – Contracts Set Through June 30, 2009.** Most MOUs are closed through the end of FY 2008-09. Costs reflecting negotiated salary and fringe benefit increases as outlined in each bargaining unit MOU are included in our projection, including \$23.9 million for FY 2007-08, \$25.4 million for FY 2008-09, and \$3.0 million for FY 2009-10 related to the annualization of prior-year costs. Additionally for FY 2009-10, since employees covered by these contracts are set to have a new contract, we have assumed that wage-related costs grow at a 2.1 percent inflation rate as projected by the California Department of Finance for the San Francisco Bay Area. These costs are noted immediately below along with other currently open contracts.
- **MOU Costs – ‘Open Contracts’.** Police, Fire and Nurse MOU contracts all expire at the end of FY 2006-07. To capture projected cost associated with anticipated new contracts, we have included projected cost increases tied to the inflation as projected by the California Department of Finance for the San Francisco Bay Area for the next three fiscal years. These rates of inflation are 2.5 percent, 1.5 percent and 2.1 percent for FY 2007-08, FY 2008-09 and FY 2009-10 respectively. Additionally for FY 2009-10, since all other employees will also have open contracts, we have made the same inflation assumption for them in year three of our projection. These inflation assumptions result in projected cost for open contracts of \$15.0 million, \$9.7 million and \$35.9 million for FY 2007-08, FY 2008-09 and FY 2009-10 respectively.
- **Health and Dental Benefits.** Total health and dental benefits are projected to increase by \$19.8 million, \$22.7 million and \$25.0 million in FY 2007-08, FY 2008-09 and FY 2009-10, respectively. This is comprised of both current employee and retiree subsidy costs as follows:
 1. **Current Employees.** The Charter requires the City’s contribution for individual health coverage costs to increase based on a survey of California’s ten largest counties. The most recently conducted survey resulted in a 10.3 percent increase (going from \$365.66 to \$403.14 per month) in the Charter-required contribution from FY 2006-07 to FY 2007-08. Given this increase as well as other projected changes in plan utilization, planned use of fund balance of \$11.5 million during FY 2007-08 and negotiated benefit provisions, costs related to current employees are projected to increase by \$11.5 million, \$15.7 million and \$17.3 million for FY 2007-08, FY 2008-09, and FY 2009-10 respectively. Our projections for FY 2008-09 and FY 2009-10 are based on projected underlying insurance cost increases of an estimated 10.0 percent each year along with similar trust fund subsidies.

2. **Retired City Employees.** Charter Section A8.428 also mandates health coverage for retired City Employees. These medical benefits for retirees are projected to increase in cost by \$8.3 million, \$7.0 million, and \$7.7 million for FY 2007-08, FY 2008-09 and FY 2009-10 respectively. Our projections for FY 2008-09 and FY 2009-10 are based on projected underlying cost increases of 10.0 percent for inflation along with similar trust fund subsidies.
- **Pension Costs.** Total pension costs are projected to decrease because of projected contribution rate decreases, resulting in savings of \$4.9 million, \$6.6 million and \$5.4 million in FY 2007-08, FY 2008-09 and FY 2009-10 respectively. This is comprised of contributions into CalPERS and SFERS as follows:
 1. **CalPERS Contribution Rate Changes – Employer-Share Only.** The California Public Employees’ Retirement System (CalPERS) has notified the City that the employer contribution rates for employees covered by CalPERS Safety will decrease from 18.824 percent in FY 2006-07 to 18.065 percent in FY 2007-08. We have included a rate of 17.900 percent as estimated by CalPERS for FY 2008-09 for the latter two years of our projection. These contribution rate assumptions result in pension savings of \$1.1 million in FY 2007-08 and \$0.1 million in FY 2008-09.
 2. **SFERS Contribution Rate Changes – Employer-Share Only.** Employer-share contribution rates are set to decrease from 6.24 percent in FY 2006-07 to 5.91 percent in FY 2007-08 for covered City employees, as adopted by the Retirement Board on January 9, 2007. Required employer-share rates included in our projection are based on the San Francisco Employees’ Retirement System’s (SFERS) actuarial valuation as of July 1, 2006 (completed and published in January 2007). For the latter two years of our projection, we used the Retirement System’s assumption of an assumed average actuarial rate of return on assets of 8.00 percent, resulting in required employer-share contribution rates of 5.40 percent in FY 2008-09 and 5.00 percent in FY 2009-10 as calculated by the Retirement System. These rate change assumptions result in the retirement contribution savings of \$3.8 million for FY 2007-08, \$6.5 million for FY 2008-09, and \$5.4 million for FY 2009-10. On a related note, FY 2004-05 was the first year the City was required to make an employer share contribution following seven and a half years of zero percent rates given the surplus funding of the retirement system.
 - **Change in Work Days.** FY 2007-08, FY 2008-09 and FY 2009-10 all have 261 workdays for regularly scheduled shifts, whereas FY 2006-07 only had 260 workdays. Additionally, FY 2007-08 is affected by the leap year. After factoring in all workdays and weekend coverage for 24/7 operations, the City’s General Fund Supported operating costs are projected to result in \$4.7 million of higher cost in FY 2007-08, \$1.5 million of savings in FY 2008-09 followed by no net impact in FY 2009-10.

- **Other Miscellaneous Benefits Costs.**

1. **Long-Term Disability.** Various bargaining units have long-term disability benefits included in their negotiated labor agreements. Cost increases of \$0.4 million are projected for FY 2007-08.
2. **Unemployment & Social Security Costs.** Each year the Federal government increases the base on which Social Security taxes are paid. This impacts both employee and employer costs. Our projection includes \$0.5 million of additional costs in each of the subsequent three years due to Social Security. No changes are anticipated in unemployment costs.

USES – Other General Citywide Costs

We project other non-salary expenditure increases of \$190.4 million, \$37.8 million and \$65.4 million for FY 2007-08, FY 2008-09 and FY 2009-10 respectively. These costs are based on the following assumptions:

- **Baseline Requirements.** The Charter specifies baseline-funding levels for various programs or functions, including Public Education, the Municipal Transportation Agency (MUNI and Parking & Traffic), the Library, Children's Services, the City Services Auditor, the Municipal Symphony, and the Human Services Care Fund. Baseline amounts are generally linked to changes in discretionary City revenues, though some are otherwise a function of citywide expenditures or base-year program expenditure levels. The revenue and expenditure projections assumed in this report result in projected cost increases related to Charter-mandated baseline requirements of \$55.6 million, \$33.8 million and \$34.7 million for FY 2007-08, FY 2008-09 and FY 2009-10 respectively.

Baseline & Other Mandated Spending Requirements, (in millions)

	FY 2007-08	FY 2008-09	FY 2009-10
Public Education Baseline (Fixed \$ per year, Prop H March 2004)	(23.3)	(15.0)	(15.0)
Municipal Railway Baseline (6.70% of Discretionary Revenues)	(11.9)	(7.8)	(7.9)
Municipal Railway Baseline - 3rd Street Light Rail Enhancement	(3.0)		
Parking & Traffic Baseline (2.42% of Discretionary Revenues)	(4.3)	(2.8)	(2.8)
Subtotal - MTA	(19.2)	(10.6)	(10.7)
Library Preservation Baseline (2.19% of Discretionary Revenues)	(3.9)	(2.5)	(2.6)
Children's Baseline (4.84% of Discretionary Revenues)	(8.6)	(5.6)	(5.7)
Human Services Care Fund			(0.4)
City Services Auditor Baseline (0.2% of Total Budget)	(0.5)	(0.0)	(0.3)
Municipal Symphony Baseline (1/8 of 1% of Property Tax Revenue)	(0.1)	(0.1)	(0.1)
Baselines Requirements	(55.6)	(33.8)	(34.7)

- **Base Budget Annualizations.** Each year base budget annualizations occur. These include adjustments to annualize the cost of on-going supplemental appropriations that happen during the current fiscal year as well as costs associated with continuing Board-approved add-backs in the budget. The effect of all base budget changes is a net cost of \$7.9 million in FY 2007-08.
- **Capital, Facilities Maintenance, Equipment & Technology.** The FY 2006-07 budget included cash purchase funding of \$65.0 million for capital (\$49.4 million) and facilities maintenance (\$15.6 million), \$9.2 million for technology projects and \$10.1 million for equipment. Our capital and facilities maintenance cost projections are consistent with those outlined in the 10-Year Capital Plan — currently proposed at \$55.0 million for FY 2007-08, then growing 10 percent in each subsequent year. On a related note, we have assumed another \$12.0 million in funding for the planning costs associated with the SF General Hospital rebuild project (discussed below under Public Health). Our projections also assume level funding over the next three years for the cash purchase technology and equipment programs, as well as an equipment lease purchase program of \$10.0 million.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
Capital & Facilities Maintenance (FY 2007-08, \$55 million cash purchase, then +10%)	10.0	(5.5)	(6.1)
Equipment (assumes level \$10.1 million cash purchase in all years)			
Technology Projects (assumes level \$9.2 million cash purchase in all years)			
Capital, Facilities Maintenance, Equipment & Technology (cash purchase)	<u>10.0</u>	<u>(5.5)</u>	<u>(6.1)</u>

- **CPI – Inflationary Increases for Non-Personnel (Materials, Supplies, Profession Services & Non-Profit Contracts) Costs.** Our projection assumes inflationary cost increases of 2.5 percent in FY 2007-08 at a cost of \$14.6 million, 1.5 percent in FY 2008-09 at a cost of \$9.3 million and 2.1 percent in FY 2009-10 at a cost of \$13.2 million. These inflation projections are from the California Department of Finance for the San Francisco Bay area.
- **Debt Service & Lease Financings.** Based on current debt repayment requirements as well as an assumed lease-financing program for equipment purchases continuing at \$10.0 million per year, total debt service and lease financing costs are projected to increase by \$3.2 million in FY 2007-08 and \$0.3 million in FY 2008-09. Savings of \$1.1 million are projected for FY 2009-10 as past debt is retired.
- **Litigation & Claims.** Each year the City is exposed to various risks related to lawsuits. We currently budget \$11.0 million annually to cover these costs for General Fund supported operations. In Fiscal Year 2007-08 and thereafter, we assumed level funding needs of \$11.0 million annually.
- **Paid Sick Leave Ordinance (Prop F, November 2006).** Our projection includes \$5.3 million of additional cost in FY 2007-08 associated with the new Paid Sick Leave Ordinance approved by voters last November, as well as another \$1.4 million projected for FY 2008-09, primarily related to provision of such benefits to In Home Support Services workers as well as City employees who are currently otherwise not earning sick pay.

- Utility Costs.** Costs related to utilities, including electricity, natural gas, water, sewer, garbage and steam are projected to increase by \$7.9 million in FY 2007-08, \$0.5 million in FY 2008-09 and \$1.3 million in FY 2009-10. Notable increases are tied to: 1) natural gas commodity price increases, 2) water rate increases of 15.0 percent on average per fiscal year, 3) sewer service rate increases of 9.0 percent on average (in both FY 2007-08 and FY 2008-09) followed by a 3.0 percent increase in FY 2009-10; and 4) garbage rate increases of 19.0 percent in FY 2007-08 and 5.0 percent in the two subsequent fiscal years. Additionally, unlike previous years where the General Fund supported department were not billed for water, the 2006 Bighorn-Desert View Water Agency decision by the California Supreme Court effectively results in the PUC having to collect charges from General Fund departments. This court decision appears to also affect the department’s rate-payer subsidized, low-income assistance program. The Court’s decision clarifies that water rates are subject to Proposition 218, which requires voter approval of any charge above that which is required to cover service costs.

	FY 2007-08	FY 2008-09	FY 2009-10
Utilities - Electricity, Natural Gas & Steam	(2.9)	0.3	0.1
Utilities - Sewer	(1.0)	(0.1)	(0.6)
Utilities - Water (loss of subsidy for GF departments)	(3.5)	(0.5)	(0.6)
Utilities - Scavenger Garbage Rate Increase	(0.5)	(0.2)	(0.2)
Utilities Costs	(7.9)	(0.5)	(1.3)

- Workers’ Compensation Costs.** Workers’ compensation costs are projected to increase \$4.1 million in FY 2007-08, \$2.2 million in FY 2008-09 and \$2.4 million in FY 2009-10. The FY 2007-08 projected increase is a result of a legislated increase in temporary disability benefits (indemnity payments) and assumed medical inflation of five percent. Our projections also assume medical inflation of five percent per year in the latter two years of the projection period. Our medical inflation assumption is lower than the 10 percent assumed for medical fringe benefits noted above due to the new medical provider network requirements as previously legislated under the State’s workers’ compensation reforms. Additionally, we have assumed that the number of indemnity claims will remain relatively flat over the next three years.

USES – Other Departmental & Commission Items

- Elections Department – Number of Elections.** The number of elections changes from year to year. Currently three (including the new presidential primary in February 2008) are expected for FY 2007-08, one for FY 2008-09, and two for FY 2009-10. This results in projected incremental cost of \$7.0 million in FY 2007-08, followed by savings of \$7.0 million in FY 2008-09, and cost of \$3.5 million in FY 2009-10.
- Elections Department – Voting System.** Voting system costs are projected to result in additional cost of \$1.7 million FY 2007-08, followed by \$1.5 million of savings in FY 2008-09 and additional cost of \$2.9 million in FY 2009-10.

- **Ethics Commission – Public Financing of Elections.** A projected savings of \$5.4 million is estimated for FY 2007-08, followed by an increase of \$0.8 million in FY 2008-09, and \$0.8 million of savings in FY 2009-10. This is comprised of costs related to both supervisorial and mayoral elections as follows:
 1. **Supervisorial Elections.** Proposition O, approved in November 2001, created a publicly financed election program for supervisorial candidates starting in November 2002. In FY 2007-08 there will be no Supervisorial District elections, resulting in a savings of \$0.6 million, followed in FY 2008-09 by elections in six of the Supervisorial Districts, resulting in an incremental cost of \$0.8 million. No Supervisorial elections are schedule for FY 2009-10. These projections are tied to the timing of elections.
 2. **Mayoral Elections.** The Board-approved ordinance No. 31-06, adopted in February 2006, which created a publicly financed election program for mayoral candidates starting in November 2007. This is projected to result in incremental cost of \$6.4 million in FY 2006-07, followed by savings of \$4.8 million in FY 2007-08. No incremental funding is projected for FY 2008-09 or FY 2009-10, as annual level appropriations of \$1.6 million per year are assumed going forward.
- **Human Resources – Labor Contract Negotiation.** Most labor contracts are closed through June 30, 2009; however, Police, Fire and Nurses all have contracts expiring on June 30, 2007. This results in projections of \$0.7 million of savings in FY 2007-08, \$2.1 million of additional cost in FY 2008-09 and \$1.4 million of savings in FY 2009-10.
- **Human Services Agency.** The agency has projected cost increases of \$20.0 million in FY 2007-08 followed by further cost increases of \$9.0 and \$6.9 million in the latter two years of our projection. These changes are summarized below.

	FY 2007-08	FY 2008-09	FY 2009-10
Human Services - Supportive Housing Services Units in the Pipeline	(1.1)	(2.5)	(1.5)
Human Services - Annualization of Supplemental Appropriation	(12.9)		
Human Services - Aid Costs (excluding Human Services Care Fund Baseline)	(6.0)	(6.5)	(5.3)
Human Services Agency Costs	(20.0)	(9.0)	(6.9)

1. **Supportive Services Costs for Housing in Construction Pipeline.** The Human Services Department is projecting additional costs of \$1.1 million in FY 2007-08, \$2.5 million in FY 2007-08, and \$1.5 million in FY 2008-09 related to supportive services in subsidized housing units which are scheduled to be added over the next three years.
2. **Annualization of Revenue-Backed Supplemental Appropriations.** The Human Services Department also has a \$12.9 million projected cost related to the annualization of revenue-backed supplemental appropriations. Revenue offsets of \$15.5 million are also included in our projections. The department’s funding formulas generally allow for reimbursement of approximately 50 percent of its personnel costs from State and Federal funds.

3. **Aid Costs.** The Human Services Agency is projecting increased General Fund expenditures of \$6.0 million, \$6.5 million and \$5.3 million in FY 2007-08, FY 2008-09, and FY 2009-10 respectively. Increases in General Fund supported aid expenditures, which are projected to increase between two to three percent per year on average. The rise is a result of a combination of increases in cost due to increasing caseloads and higher In-Home Supportive Services Program costs with partially offsetting decreases in costs (as seen in FY 2006-07 as well) related to lower than expected caseloads in both the County Adult Assistance and CalWorks Childcare programs. Caseloads for the County Adult Assistance and CalWorks Childcare programs are expected to remain level through FY 2009-10, while caseloads for In-Home Supportive Services are expected to continue to rise. Overall, the Human Services Department is projected to receive over 50 percent of its funding for client aid payments from the State and Federal governments.
- **Museums – Academy of Sciences New Facility & Annualization Costs.** Total costs are projected to increase \$2.5 million and \$0.2 million in FY 2007-08 and FY 2008-09 respectively, and then result in savings of \$0.1 million in FY 2009-10.
 - **Police Department Costs.** The department has projected cost increases of \$20.1 million, \$2.4 million and \$5.7 million over the next three years. These changes are summarized below.
 1. **COPS Grant Funding** – Expiration of existing multi-year Federal COPS grant funding is projected to affect 133 police officer positions beginning in FY 2006-07. Given the Charter-mandated, minimum police staffing requirement, we have included the projected costs of continuing to bring these officers back into the General Fund. Cost increases of \$10.2 million in FY 2007-08, \$0.7 million in both FY 2008-09 and FY 2009-10 are included in our projection.
 2. **Crime Lab Costs** – In FY 2006-07 the crime lab was removed from the shipyard’s utility grid while remediation was underway. This was a temporary solution to a longer-term need to relocate the crime lab. To meet this need, we have assumed an estimated \$60.0 million in Certificates of Participation (COPs) which will be issued in FY 2008-09, resulting in an estimated annual debt obligation of \$5.0 million beginning in FY 2009-10.
 3. **FY 2006-07 Academy Cost Annualization.** The department was budgeted to hire five classes of 50 officers in FY 2006-07. To annualize the costs associated with these five classes, increased costs of \$9.8 million in FY 2007-08 and \$1.7 million in FY 2008-09 are included in our projection. To the degree additional classes are added in future years to meet minimum staffing requirements, the projected costs will increase.
 - **Public Health Department Costs.** The Department of Public Health is projected to have department-specific increases in expenditures of \$55.9 million in FY 2007-08 along with savings of \$21.5 in FY 2008-09 and \$6.9 million in FY 2007-08. On a related note Public Health has projected additional hospital revenues of \$33.8 million in FY 2007-08, \$16.7 million in FY 2008-09 and \$15.1 million in FY 2009-10. For FY 2007-08, this results in an estimated deficit of \$22.1 million due primarily to an assumed cash purchase of \$21.6 million in Furniture, Fixture and Equipment (FF&E) for the new Laguna Honda Hospital. Select departmental expenditure changes are summarized below.

1. **SF General Hospital Rebuild.** Our projection assumes the FY 2007-08 budget will include the remaining \$12.0 million in funding for project planning. This results in savings of \$12.0 million in FY 2008-09.
 2. **Laguna Honda Furniture, Fixtures & Equipment.** FF&E costs, assuming a cash purchase program, for the new Laguna Honda Hospital are projected to result in cost increases of \$21.6 million in FY 2007-08 followed by savings of \$12.3 million in FY 2008-09 and savings of \$7.9 million in FY 2009-10. If the project scope or timing changes, this projection could also change.
 3. **Annualization of Revenue-Backed Supplemental.** Our projection assumes total cost of \$17.9 million related to the annualization of revenue-backed supplemental appropriation authority as also assumed our FY 2006-07 fund balance projections.
 4. **Other Public Health Items.** Other miscellaneous cost increases totaling \$4.4 million in FY 2007-08, \$2.8 million in FY 2008-09, and \$1.0 million in FY 2009-10 are itemized below.
 - **Health Access Plan Infrastructure.** Our projection assumes \$2.4 million in information systems infrastructure funding for the Health Access Program. There may be additional cost that has not yet been identified by the Public Health department.
 - **Healthy Kids & Young Adults Enrollment Growth.** Cost increases of \$0.6 million for FY 2007-08, \$2.1 million for FY 2008-09 and \$1.4 million for FY 2008-09 are projected, based on projected enrollment growth of five percent in FY 2007-08, 18 percent in FY 2008-09 and 11 percent in FY 2009-10.
 - **Laguna Honda Laundry Costs.** Increased operating costs for the laundry contract are projected to be \$1.4 million in FY 2007-08 and \$0.7 million in FY 2008-09, followed by savings of \$0.4 million in FY 2009-10 due to the projected opening of the laundry facility at the new Laguna Honda Hospital. When the new laundry facility becomes fully operational, the department intends to terminate the laundry contract.
- **Recreation & Parks – Open Space Fund’s Revenue Bond Impact.** The Recreation & Parks Department is planning to issue revenue bonds by mid-2007, secured by the Open Space Fund’s property tax revenues, to fund capital improvements. In order to pay for this incremental debt service, \$2.0 million of operating cost budgeted in the Open Space Fund during FY 2007-08 will need to revert back to General Fund support.
 - **Redevelopment – City Loans.** The FY 2006-07 budget included \$1.5 million in City loan funding to the Redevelopment Agency. These loans are projected to be one-time expenditures to provide funding for survey area costs related to Visitacion Valley and Bay View Hunters Point and therefore result in savings to the General Fund in FY 2007-08.

• **Other Miscellaneous Departmental Items.**

	FY 2007-08	FY 2008-09	FY 2009-10
Emergency Communications - GF Support for 911 Operations	(0.6)	(0.2)	0.6
Film Rebate Program (sunsets June 30, 2009)			0.6
GSA - DTIS - Expiration of PEG Operating Funds (AB2987)			(0.3)
GSA - DTIS - Updated Cost Allocations	1.6		
Probation Positions Approved in March 2007	(0.6)		
Public Defender - Additional Positions Approved in July 2006	(0.4)		
Treasurer/Tax Collection - Additional Positions Approved in October 2006	(0.3)		
Other Departmental Items	(0.3)	(0.2)	0.9

1. **Emergency Communications.** The General Fund support costs related to the subsidization of exempt low-income households from the 911 fee are projected to increase by \$0.6 million FY 2007-08 and \$0.2 million in FY 2008-09, followed by savings of \$0.6 million in FY 2009-10.
2. **Film Rebate Program.** The City’s film rebate program is slated to sunset on June 30, 2009. Assuming that the program is not extended past that time, \$0.6 million of projected savings results in FY 2009-10.
3. **General Services Agency – DTIS – PEG Funding.** AB2987 resulted in the loss of local government control over video franchising in California. The effect is a projected loss of \$0.3 million of video franchise related Public Education & Government (PEG) channel funding in FY 2009-10.
4. **General Services Agency – DTIS – Updated Cost Allocations.** The new rate allocation plan for Telecommunications & Information Services is projected to result in savings of \$1.6 million in FY 2007-08.
5. **Adult & Juvenile Probation Position Annualizations.** The recent Board Committee-approved Annual Salary Ordinance amendments for Adult and Juvenile Probation Departments’ positions will result in projected incremental costs of \$0.6 million in FY 2007-08.
6. **Public Defender’s Office Position Annualizations.** The Board approved Annual Salary Ordinance amendments for the Public Defender’s Office in July 2006 will result in projected incremental costs of \$0.4 million in FY 2007-08.
7. **Treasurer / Tax Collector – Additional Positions.** The Board approved Annual Salary Ordinance amendments for the Treasurer / Tax Collector’s Office in October 2006 will result in projected incremental costs of \$0.3 million in FY 2007-08.

In summary, General Fund supported uses are projected to increase \$263.2 million in FY 2007-08, comprised of \$72.8 million in personnel (salaries and benefit costs) and \$190.4 million in non-personnel and departmental costs.

Items Not Included in Our Projection

As with all projections, unforeseen events may occur that change the City’s future financial condition. Additionally, we are aware of some factors now that may impact the City’s finances over the next three years, but we are unable to predict what that effect and timing might be.

- **Natural Disasters & Man-Made Disruptions.** As in previous reports, we have not included any projected costs associated with natural disasters or man-made disruptions.
- **New Development Projects.** There are several large, proposed projects that will likely result in both new tax revenues and associated costs. Our projections make no assumption regarding the net financial impact of these projects, which include Mission Bay, the Transbay Terminal, Mid-Market, and the development of Treasure Island.
- **Pending or Proposed Legislation – Potential Fee / Departmental Revenue Increases.** Various proposed fee increases may be proposed to the Board of Supervisors before the end of the year or as part of next year’s budget. Proposed increases have not been assumed in our projections. MTA-approved parking garage rates, which also impacts parking tax revenues, have been assumed.
- **Post Employment Benefits – GASB 45’s Impact on Retiree Health Benefits.** This report’s projections assume that the City continues to cash fund the immediately due portion of retiree health costs, but not the accrued liability or total costs related to post employment retiree health subsidy benefits. The Government Accounting Standards Board Pronouncement #45 (GASB 45) requires that non-pension benefits for retirees, such as retiree health care, be shown as an accrued liability on the City’s financial statements starting in FY 2007-08. GASB 45 does not require this liability be funded, only that the liability be reported on the annual financial statements.

To help plan for the implementation of GASB 45, the City requested that Towers Perrin prepare a preliminary actuarial valuation of this liability. Towers Perrin estimated that if the City were to have a Funded Plan to cover post-employment medical benefits, the projected liability would be \$3.0 billion and have an annual required contribution for FY 2006-07 of \$290.2 million, assuming an 8.0 percent return on investments, while covering all City operations, including those that are General Fund supported. In FY 2006-07, the City’s total budget included \$101.0 million in funding for retiree health subsidies, which represented only the amount needed to pay for current costs due during the fiscal year. The additional potential liability to the City would, therefore, be the difference between the Towers Perrin estimate and the current budgeted funding, or \$189.3 million assuming a funded plan scenario. If the City opts to continue under a ‘pay-as-you-go’ or Unfunded Plan scenario, the liability is \$4.9 billion with an annual required contribution, for actuarial purposes, is \$455.9 million – a difference of \$354.9 million from currently budgeted levels.

- **Salary Increases on Open Contracts.** Only inflationary increases are assumed for open contracts. **An additional one percent salary increase over and above the inflation increase assumed in our projection equals \$6.1 million per year for both FY 2007-08 and FY 2008-09. For FY 2009-10, an additional one percent salary increase over and above the inflation assumed in our projection equals \$16.3 million per year.**
- **State and Federal Budget Changes.** Programmatic reductions or changes included in the Governor’s proposed **State Budget** of \$3.1 million have been assumed in our projection as shown in Table C on the following page for General Fund Supported operations. We do not assume a General Fund backfill of any **Federal Budget** proposed reductions for the Homeland Security Urban Area Safety Initiative (UASI, estimated to be \$5.4 million in FY 2007-08), Ryan White AIDS grant funding (estimated to be \$0.8 million in FY 2007-08), Community Development Block Grant (CDBG), Medicare or Medicaid reductions.

The Community Oriented Policing (COPs) grant impact shown in our projection relates to prior-year, existing grant award funding, which requires a minimum continuation of employment for one year after grant expiration. However, our projection assumes the City backfills existing COPs grant-funded positions as previously awarded grant funding expires in order to maintain police staffing levels over the next three years. On a related note, our projection also assumes no new future funding for the federal COPs program, as COPs grant funding has been eliminated in the proposed Federal budget. This means that local governments across the country now have one less critical funding source available for future police protection enhancement initiatives.

**Table C: State Budget Estimated Impact for FY 2007-08, Increases / (Reductions)
 In Millions, Including Estimated Values as of Joint Report**

Dept	State Budget Item	January Budget
PROGRAM FUNDING CUTS		
DPH	Eliminates Integrated Services for Homeless Adults with Mental Illnesses	(2.8)
DPH	Treatment Access Program (Prop 36)	(2.0)
DPW	Gas Tax Subvention Funding	(1.3)
Subtotal - General Fund Program Cuts		(6.1)
MTA	State Transit Assistance Funding - \$5.3M Operating & \$15.1M Capital	(20.4)
Non-General Fund Program Loss Subtotal		(20.4)
PROGRAM FUNDING INCREASES		
DPH	Mental Health Services Act Funding (Prop 63)	2.3
ADP	Expanded Probation Services Targeted at 18-25 year olds	1.3
DSS	Cost of Business Increase for Food Stamps, IHSS and Medi-Cal	1.6
DPW	Bond Funding for Local Road Repairs	4.0
General Fund Program Funding Increases		9.2
CCSF GENERAL FUND SUPPORTED Subtotal		3.1
NON-GENERAL FUND SUPPORTED Subtotal		(20.4)
TOTAL PROJECTED CITY IMPACT		(17.3)

CONCLUSION

We project a \$25.4 million shortfall for FY 2007-08, followed by a \$85.3 million shortfall in FY 2008-09 and a \$8.3 million surplus in FY 2009-10. The Charter requires that each fiscal year the budget of the City and County must be balanced. Therefore, this report assumes that any projected shortfall will be eliminated in the year in which such projected shortfalls first appear.

In addition to the risks noted above, a number of policy considerations are also present.

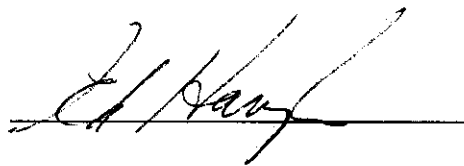
- City policymakers are faced with significant budgetary challenges for FY 2008-09 due largely to the use of all projected available fund balance in FY 2007-08. However, record Rainy Day Reserves are still projected to be on deposit to mitigate the next economic downturn.
- While the FY 2007-08 projection shows substantial fiscal improvement as compared to the most recent downturn, we continue to recommend that City policymakers examine both short- and long-term strategies to mitigate the projected shortfall for FY 2008-09.
- The extent to which the Mayor and the Board of Supervisors approve supplemental appropriations of General Fund monies this spring above those assumed in this projection, the shortfall for next fiscal year will be commensurately increased.

We acknowledge that projections of the City's financial condition over multiple years are far less certain than those for the immediate future. This report is based on the best information available at this time. All three of our offices will continue to work closely together in the coming months and will keep you apprised of any changes that occur.

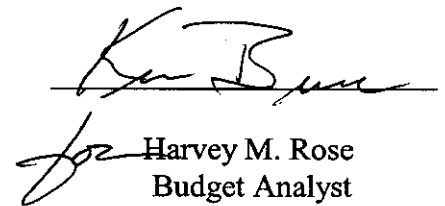
Respectfully submitted,



Nani Coloretto
Budget Director
Mayor's Office



Edward Harrington
Controller



Harvey M. Rose
Budget Analyst
Board of Supervisors

Attachment 1: General Fund Supported Operations: Revenues & Transfers In

Attachment 2: Growth in General Fund Supported Operations' Revenues & Transfers In

cc: Gloria Young, Clerk of the Board

Attachment 1: General Fund Supported Operations: Revenues & Transfers In

	FY 2005-06	FY 2006-07		FY 2007-08	FY 2008-09	FY 2009-10	
	Year-End	Original Budget	6-Month	Joint Report	Projection	Projection	Projection
	Actuals		Projection	Projection			
1 Property Taxes	\$ 782.7	\$ 837.5	\$ 861.4	\$ 861.4	\$ 926.0	\$ 981.6	\$ 1,035.6
2 Business Taxes	322.4	332.2	335.5	340.8	359.7	379.7	400.8
3 Sales Tax	103.1	106.2	108.2	108.2	113.6	119.3	125.3
4 Hotel Room Tax	130.8	125.9	132.4	132.4	142.2	152.0	162.1
5 Utility Users Tax	76.4	79.4	79.8	79.8	82.1	84.6	87.2
6 Parking Tax	36.2	36.1	37.2	37.2	38.2	38.8	39.4
7 Real Property Transfer Tax	131.3	105.0	108.9	146.4	111.8	116.3	120.9
8 Stadium Admission Tax	2.7	2.9	2.9	2.9	2.9	2.9	3.0
Subtotal - Tax Revenues	1,585.6	1,625.2	1,666.3	1,709.1	1,776.7	1,875.3	1,974.2
9 Licenses, Permits & Franchises	20.8	20.9	21.5	21.5	22.0	22.6	23.2
10 Fines, Forfeitures & Penalties	10.2	4.9	4.9	4.9	4.0	4.0	4.0
11 Interest & Investment Income	31.0	34.0	38.1	38.1	35.1	36.2	37.2
12 Rents & Concessions	20.0	20.1	20.1	20.1	21.0	21.8	22.7
Subtotal - Licenses ... Concessions	82.0	79.9	84.7	84.7	82.2	84.7	87.2
13 Federal Subventions	182.4	194.3	194.6	194.6	194.6	194.6	194.6
State Subventions							
14 Social Service Subventions	124.0	127.4	132.3	132.3	147.7	150.2	153.7
15 Health & Welfare Realignment	157.9	165.2	165.2	166.9	172.0	178.0	184.1
16 Health/Mental Health Subventions	70.0	75.2	76.1	76.1	77.2	77.2	77.2
17 Public Safety Sales Tax	69.3	74.0	72.8	72.8	76.5	80.3	84.3
18 Motor Vehicle In-Lieu (County & City)	35.8	5.6	5.6	5.6	5.8	6.1	6.3
19 Other Grants & Subventions	33.4	22.9	29.2	29.2	27.4	27.4	27.4
Subtotal - State Subventions	490.5	470.3	481.2	482.9	506.6	519.2	533.0
CHARGES FOR SERVICES							
20 General Government Service Charges	25.7	32.8	31.3	31.3	31.3	31.6	31.9
21 Public Safety Service Charges	24.9	24.6	26.7	26.7	27.0	27.3	27.5
22 Recreation Charges - Rec/Park	6.8	7.1	7.1	7.1	7.3	7.5	7.7
23 MediCal, MediCare & Health Svc. Chgs.	55.5	47.4	45.8	45.8	45.8	45.8	45.8
24 Other Service Charges	0.3	11.8	11.8	11.8	11.8	11.8	11.8
25 Charges for Services	113.2	123.7	122.7	122.7	123.2	124.0	124.8
26 Recoveries of General Government Costs	13.2	10.3	10.3	10.3	8.7	9.0	9.2
27 Other Revenues	7.7	18.8	19.2	19.2	8.2	8.2	8.2
28 TOTAL REVENUES	2,474.6	2,522.5	2,579.1	2,623.5	2,700.1	2,814.9	2,931.2
TRANSFERS INTO GENERAL FUND:							
29 Airport	21.5	22.1	22.1	22.1	22.9	24.1	25.3
30 Other Transfers	36.5	35.1	36.5	36.5	34.8	34.8	34.8
31 Total Transfers-In	58.0	57.2	58.5	58.5	57.7	58.9	60.1
32 TOTAL GF Revenues & Transfers In	2,532.6	2,579.7	2,637.6	2,682.0	2,757.8	2,873.7	2,991.3
33 OTHER GF SUPPORTED (GFS) OPERATIONS, net		613.5	634.5	634.5	650.4	667.1	682.2
34 TOTAL GFS Revenues & Transfers In, net		\$ 3,193.2	\$ 3,272.1	\$ 3,316.5	\$ 3,408.2	\$ 3,540.8	\$ 3,673.5
35	\$ Change from Prior Year Original Budget (PY Projection for Latter Two Years) - GF Only				\$ 178.1	\$ 116.0	\$ 117.5
36	% Change from Prior Year Original Budget (PY Projection for Latter Two Years)				6.9%	4.2%	4.1%
37	\$ Change from Prior Year Joint Report Projection - GF Only				\$ 75.7	\$ 116.0	\$ 117.5
38	% Change from Prior Year Revised Budget (PY Projection for Latter Two Years)				2.8%	4.2%	4.1%
39	\$ Change from Prior Year Original Budget (PY Projection for Latter Two Years)				\$ 215.0	\$ 132.6	\$ 132.7
40	% Change from Prior Year Original Budget (PY Projection for Latter Two Years)				6.7%	3.9%	3.7%
41	\$ Change from Prior Year Joint Report Projection				\$ 91.7	\$ 132.6	\$ 132.7
42	% Change from Prior Year Revised Budget (PY Projection for Latter Two Years)				2.8%	3.9%	3.7%

Attachment 2: Growth in General Fund Supported Operations' Revenues & Transfers In

	FY 2007-08		FY 2008-09	FY 2009-10
	% Chg from FY 2006-07 AAO Original Budget	% Chg from FY 2006-07 Joint Report	% Chg from FY 2007-08 Projection	% Chg from FY 2008-09 Projection
	1 Property Taxes	10.6%	7.5%	6.0%
2 Business Taxes	8.3%	5.6%	5.6%	5.6%
3 Sales Tax	7.0%	5.0%	5.0%	5.0%
4 Hotel Room Tax	12.9%	7.4%	6.9%	6.6%
5 Utility Users Tax	3.4%	3.0%	3.0%	3.0%
6 Parking Tax	6.0%	2.6%	1.5%	1.5%
7 Real Property Transfer Tax	6.5%	-23.6%	4.0%	4.0%
8 Stadium Admission Tax	1.0%	1.0%	1.0%	1.0%
Subtotal - Tax Revenues	9.3%	4.0%	5.5%	5.3%
9 Licenses, Permits & Franchises	5.4%	2.7%	2.7%	2.7%
10 Fines, Forfeitures & Penalties	-17.4%	-18.2%	0.0%	0.0%
11 Interest & Investment Income	3.3%	-8.0%	3.0%	3.0%
12 Rents & Concessions	4.1%	4.1%	4.1%	4.1%
Subtotal - Licenses ... Concessions	2.8%	-3.0%	3.0%	3.1%
13 Federal Subventions	0.2%	0.0%	0.0%	0.0%
State Subventions				
14 Social Service Subventions	16.0%	11.7%	1.7%	2.3%
15 Health & Welfare Realignment	4.1%	3.1%	3.5%	3.4%
16 Health/Mental Health Subventions	2.7%	1.4%	0.0%	0.0%
17 Public Safety Sales Tax	3.3%	5.0%	5.0%	5.0%
18 Motor Vehicle In-Lieu (County & City)	4.0%	4.0%	4.0%	4.0%
19 Other Grants & Subventions	19.5%	-6.1%	0.0%	0.0%
Subtotal - State Subventions	7.7%	4.9%	2.5%	2.6%
Charges for Services				
20 General Government Service Charges	-4.7%	-0.1%	1.0%	1.0%
21 Public Safety Service Charges	9.8%	1.0%	1.0%	1.0%
22 Recreation Charges - Rec/Park	3.0%	3.0%	3.0%	3.0%
23 MediCal, MediCare & Health Svc. Chgs.	-3.3%	0.0%	0.0%	0.0%
24 Other Service Charges	0.0%	0.0%	0.0%	0.0%
25 Subtotal - Charges for Services	-0.4%	0.4%	0.7%	0.7%
26 Recoveries of General Government Costs	-15.4%	-15.4%	3.0%	3.0%
27 Other Revenues	-56.5%	-57.4%	0.0%	0.0%
28 TOTAL REVENUES	7.0%	2.9%	4.3%	4.1%
TRANSFERS INTO GENERAL FUND:				
29	Airport	4.0%	4.0%	5.0%
30	Other Transfers	-1.0%	-4.7%	0.0%
31	Total Transfers-In	1.0%	-1.4%	2.0%
32 TOTAL GF Revenues & Transfers In	6.9%	2.8%	4.2%	4.1%
33 OTHER GENERAL FUND SUPPORTED (GFS) OPERATIONS, net	6.0%	2.5%	2.6%	2.3%
34 TOTAL GFS Revenues & Transfers In, net	6.7%	2.8%	3.9%	3.7%

CITY AND COUNTY OF SAN FRANCISCO - CONTROLLER'S OFFICE

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<http://co.sfgov.org/controller/feedback/?id=585>

The feedback link is listed with the report.

Option 2: Mail

Just fill in the card below, fold this in half and mail!

Option 3: Phone

Call the Controller's Office at 415-554-7500 and we will take your feedback over the phone.

Thank you for your feedback!

Fold along the dotted line and mail!

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Report: Three-Year Budget Projection for General Fund Supported Operations FY 07-08 to FY 09-10					
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<input type="checkbox"/> Media Reporter					<input type="checkbox"/> Other: _____
<input type="checkbox"/> City of San Francisco Employee					
How do you rate this report?					
	Very Good	Good	Neutral	Poor	Very Poor
Significance of topic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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APPENDIX G

**ANNUAL REPORT FOR THE CITY AND COUNTY OF SAN FRANCISCO LIMITED OBLIGATION
IMPROVEMENT BONDS BAYSHORE HESTER ASSESSMENT DISTRICT NO. 95-1 PREPARED BY
MUNIFINANCIAL**

**CITY AND COUNTY OF SAN FRANCISCO
\$1,030,000 LIMITED OBLIGATION IMPROVEMENT BONDS
BAYSHORE HESTER ASSESSMENT DISTRICT NO. 95-1**

San Francisco, California

Dated: June 19, 1996

CUSIP: 79765E



**2005/2006 ANNUAL CONTINUING DISCLOSURE
INFORMATION STATEMENT**

March 9, 2007



Also available at:
MuniFinancial
www.muni.com

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*In its role as Disclosure Consultant and Dissemination Agent, MuniFinancial has not passed upon the accuracy, completeness or fairness of the statements contained herein



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I. INTRODUCTION

This annual report is being provided by the City and County of San Francisco (the "City") pursuant to a covenant made by the City for the benefit of the holders of Limited Obligation Improvement Bonds, City and County of San Francisco, Bayshore Hester Assessment District No. 95-1 (the "Bonds") and includes the information specified in a Continuing Disclosure Agreement dated as of June 1, 1996 (the "Continuing Disclosure Agreement"). All capitalized terms not defined herein shall have the meanings assigned to such terms in the final Official Statement, dated June 7, 1996, relating to the Bonds.

The CUSIP numbers provided herein are for the convenience of the bondholders. The City is not responsible for the accuracy or completeness of such CUSIP numbers.

**Limited Obligation Improvement Bonds
Bayshore Hester Assessment District No. 95-1**

Maturity Date	CUSIP	Maturity Date	CUSIP
9/2/2007	79765E AK4	9/2/2010	79765E AN8
9/2/2008	79765E AL2	9/2/2011	79765E AP3
9/2/2009	79765E AM0		

A. AUDITED FINANCIAL STATEMENTS

The audited financial statements for the City for Fiscal Year 2005/06 are contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2006, and are hereby incorporated by reference into this report from the Annual Report, to be filed with the Nationally Recognized Municipal Information Repositories.

B. FINANCIAL AND OPERATING DATA

1. Status of Construction of Improvements and Improvement Fund Balance

As of June 1, 2006, the balance in the Improvement Fund was \$0.00. All draws have been made on the Improvement Fund as of such date. On March 2, 1999 a bond call was processed in the amount of \$30,000, which used the amount in the Improvement Fund, which was declared as surplus by resolution.

As of the date of this report, the status of the construction of the Improvements is complete and all vouchers have been submitted for reimbursement from the City and paid in full.

2. Building Permits and Certificates of Occupancy

As of June 1, 2006, the following number of building permits and certificates of occupancy had been issued for parcels in the District.

Type	Number
Building Permits	47
Certificates of Occupancy	47

Source: Bayshore BH Development Inc.

3. Value-To-Lien

Assessment liens, in the aggregate amount of \$881,250.17 have been recorded against the parcels as shown in the following table. Using the assessed values as indicated on the fiscal year 2006/07 Secured Roll, the overall value-to-lien ratio for all the parcels is approximately 25.94 to 1.

Assessor's Parcel Number	2006/07 Total Assessed Value	Current Assessment Lien	Value To Lien Ratio
5054A038	\$364,800	\$18,750.01	19.46
5054A039	714,000	18,750.01	38.08
5054A040	637,500	18,750.01	34.00
5054A041	337,672	18,750.01	18.01
5054A044	551,316	18,750.01	29.40
5054A047	593,026	18,750.01	31.63
5054A048	621,583	18,750.01	33.15
5054A050	407,240	18,750.01	21.72
5054A051	407,248	18,750.01	21.72
5054A052	583,674	18,750.01	31.13
5054A053	634,643	18,750.01	33.85
5054A054	535,098	18,750.01	28.54
5054A055	594,957	18,750.01	31.73
5054A056	540,508	18,750.01	28.83
5054A057	641,726	18,750.01	34.23
5054A058	528,600	18,750.01	28.19
5054A059	567,530	18,750.01	30.27
5054A060	444,250	18,750.01	23.69
5054A061	485,852	18,750.01	25.91
5054A062	474,612	18,750.01	25.31
5054A063	591,016	18,750.01	31.52
5054A064	561,212	18,750.01	29.93
5054A065	421,757	18,750.01	22.49
5054A066	444,250	18,750.01	23.69
5054A067	488,160	18,750.01	26.04
5054A068	410,510	18,750.01	21.89
5054A069	572,732	18,750.01	30.55
5054A070	600,935	18,750.01	32.05
5054A071	418,717	18,750.01	22.33
5054A072	594,558	18,750.01	31.71
5054A073	417,184	18,750.01	22.25
5054A074	734,400	18,750.01	39.17
5054A075	407,246	18,750.01	21.72
5054A076	407,246	18,750.01	21.72
5054A077	395,774	18,750.01	21.11
5054A078	373,893	18,750.01	19.94
5054A079	393,689	18,750.01	21.00
5054A080	373,895	18,750.01	19.94
5054A081	367,935	18,750.01	19.62
5054A082	474,567	18,750.01	25.31
5054A083	351,695	18,750.01	18.76
5054A084	370,391	18,750.01	19.75
5054A085	448,666	18,750.01	23.93
5054A086	404,952	18,749.71	21.60
5054A087	384,303	18,750.01	20.50
5054A088	401,511	18,750.01	21.41
5054A089	378,567	18,750.01	20.19
Total	\$22,855,596	\$881,250.17	25.94

Source: San Francisco County Assessor's Office, as compiled by MuniFinancial

4. Principal Amount Of Bonds Outstanding

As of June 1, 2006, the principal amount of Bonds was \$875,000 and as of September 3, 2006, the principal amount of Bonds outstanding was \$855,000.

5. Debt Service Reserve Fund Balance

Balance as of	Balance ⁽¹⁾
June 1, 2006	\$90,687.35
September 30, 2006	\$90,214.63

Source: JP Morgan Chase Bank

6. Assessment Delinquencies

There are currently no delinquencies in the district.

Source: San Francisco County Tax Collector's Office

7. Foreclosure Proceedings

As of June 1, 2006, there were no foreclosure proceedings pending against any parcel in the District.

8. Zoning, Land Use Designations and Subdivisions

To the City's knowledge, to date there have been no significant changes in zoning or other land use designations in the District and no subdivision of land in the District, other than as described in the Official Statement.

9. Prepaid Assessments

There has been one prepaid assessment within the District. The parcel prepaid their assessment in November 2002 in the amount of \$18,257.39. The City processed a bond call on September 2, 2003 using the prepaid principal from this assessment.

C. Other Matters:

This Annual Report is provided solely for purposes of the Continuing Disclosure Agreement and the information contained herein speaks only as of the dates referenced. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial or operating information about the City, the District or any of the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the City's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold any of the Bonds. The information contained in this Annual Report has been obtained from sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City or other parties described herein. The City has no obligation to update the information provided hereby except as provided in the Continuing Disclosure Agreement.