



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

Via E-Mail: DisclosureUSA.org

March 23, 2006

Ladies and Gentlemen:

Attached hereto is the annual disclosure report (the "Annual Report") for the City and County of San Francisco, California (the "City"), the Parking Authority of the City and County of San Francisco (the "Parking Authority"), the City and County of San Francisco Finance Corporation (the "Finance Corporation") and the Redevelopment Agency of the City and County of San Francisco Lease Revenue Refunding Bonds, (the "Redevelopment Agency") for the fiscal year ending June 30, 2005. This filing relates to the following issuers and six-digit CUSIPs:

- City and County of San Francisco General Obligation Bonds 797645
- City and County of San Francisco Certificates of Participation 79765D
- Parking Authority of the City and County of San Francisco 797700
- City and County of San Francisco Finance Corporation 79765X
- Redevelopment Agency of the City and County of San Francisco, Lease Revenue Bonds 79765V

Included herein is the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ending June 30, 2005. In addition, as a courtesy, the City has voluntarily included its Fiscal Year 2005-06 Six-Month Budget Status Report and the Three-Year General Fund Budget Projection, FY 2006-07 through FY 2008-09, attached hereto as Appendices E and F. The City has no obligation to provide the Budget Status Report and the Three-Year Budget Projections as part of the Annual Report in this or any subsequent filing.

The attached Annual Report is being provided by the City, the Parking Authority, the Finance Corporation, and the Redevelopment Agency in connection with our undertaking entered into in accordance with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission. The information provided in the Annual Report speaks only as of its date and is subject to change without notice.

March 23, 2006

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The delivery of this Annual Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement. We have not agreed to notify the secondary market of subsequent changes to the information contained herein.

Finally, for matters of convenience only, the City is submitting to you a copy of the Annual Report for the City and County of San Francisco Limited Obligation Improvement Bonds, Bayshore Hester Assessment District No. 95-1 prepared by MuniFinancial.

If you have any questions regarding this Annual Report, please contact Nadia Sesay, Office of Public Finance, at (415) 554-5956 or by email to Nadia.Sesay@sfgov.org.

Very Truly Yours,

CITY AND COUNTY OF SAN FRANCISCO



Edward Harrington
Controller

Enclosures

CC: City Attorney's Office
Treasurer's Office
Clerk of the Board of Supervisors
Parking Authority
Finance Corporation
Mayor's Office of Public Finance
Redevelopment Agency

**ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2005**



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

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

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

Issued: March 27, 2006

Due: March 27, 2006

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I. Introduction

The City and County of San Francisco (“**City**”), the City and County of San Francisco Finance Corporation (“**Finance Corporation**”), the Parking Authority of the City and County of San Francisco (“**Parking Authority**”), 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, 2005 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, 2005 (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 ¹ (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 ¹ (Laguna Honda Hospital, 1999) Series 2005I	<u>\$69,000,000</u>

¹ The Series 2005EFGH GO Bonds and Series 2005I GO Bonds were issued after June 30, 2005; 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
6/15/2006	797645SB5	797645PY8	797645RA8	797645SV1
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
6/15/2006	797645TS7	797645UN6	797645VJ4	797645WE4	797645XA1
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
6/15/2006	797645XX1	797645YT9	797645ZP6	797645B31
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
6/15/2006	797645D96	797645G51	797645K72	797645N38	797645Q76
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
6/15/2006	797645U48	797645V96	797645D9	797645G2	797645C0
6/15/2007	797645U55	797645W20	797645Y28	797645H0	797645D8
6/15/2008	797645U63	797645W38	797645Y36	797645J6	797645E6
6/15/2009	797645U71	797645W46	797645Y44	797645K3	797645F3
6/15/2010	797645U89	797645W53	797645Y51	797645L1	797645G1
6/15/2011	797645U97	797645W61	797645Y69	797645M9	797645H9
6/15/2012	797645V21	797645W79	797645Y77	797645N7	797645J5
6/15/2013	797645V39	797645W87	797645Y85	797645P2	797645K2
6/15/2014		797645W95	797645Y93	797645Q0	797645L0
6/15/2015		797645X29	797645Z27	797645R8	797645M8
6/15/2016		797645X37	797645Z35	797645S6	797645N6
6/15/2017		797645X45	797645Z43	797645T4	797645P1
6/15/2018		797645X52	797645Z50	797645U1	797645Q9
6/15/2019		797645X60	797645Z68	797645V9	797645R7
6/15/2020		797645X78	797645Z76	797645W7	797645S5
6/15/2021		797645X86	797645Z84	797645X5	797645T3
6/15/2022		797645X94	797645Z92	797645Y3	797645U0
6/15/2023				797645Z0	797645V8

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
6/15/2006	7976454F2	7976454K1	7976455F1	
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 ¹	Series 2005F GO Bonds ¹	Series 2005G GO Bonds ¹	Series 2005H GO Bonds ¹	Series 2005I GO Bonds ¹
6/15/2006	797646AA4	797646AW6	797646BS4	797646CN4	797646EB8
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

¹ The Series 2005EFGH GO Bonds and Series 2005I GO Bonds were issued after June 30, 2005; 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, 2005**:

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, 2005 (the “CAFR”)	Appendix A – CAFR - Pages 1 through 180 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=37199
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 15-16, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 190
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 189
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 81, 92
Par Amount of General Obligation Bonds Outstanding	Appendix C

II. General Obligation Bonds

D. General Obligation Bonds Contact Information.

Issuer Contact: Nadia Sesay
 Mayor's 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, 2005 (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
3/15/2006	7976453Y2
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, 2005**:

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, 2005 (the "CAFR")	Appendix A – CAFR - Pages 1 through 180 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=37199
Amount of Series 2003-R1 Refunding Settlement Obligation Bonds Outstanding	\$38,670,000
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 15-16, 31-33
Schedule of aggregate annual general fund debt service	Appendix A – CAFR – Pages 81, 84, 89

III. Settlement Obligation Bonds

D. Settlement Obligation Bonds Contact Information.

Issuer Contact: Nadia Sesay
Mayor's 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, 2005 (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) Taxable 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
9/1/2005	79765DLY4	79765DMS6
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
10/1/2005	79765DNT3		
10/1/2006	79765DNU0	4/1/2006	79765DPR5
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
9/1/2005	79765DQL7	79765DRT9	3/1/2006	79765DRU6
9/1/2006	79765DQM5		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	79765DSJO
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, 2005**:

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, 2005 (the "CAFR")	Appendix A – CAFR - Pages 1 through 180 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=37199
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 15-16, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 190

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 189
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 92
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 81, 84, 89

COP Issue	Par Amount Outstanding	Reserve Fund Balance	Status of Completion of Construction/Acquisition
Series 1997 COPs	\$7,885,000	827,114	Completed
Series 1999 COPs	\$7,440,000	\$600,543	Completed
Series 2000 COPs	\$135,150,000	Surety Bond (\$10,096,000)	Approximately 94% Completed
Series 2001-1 COPs	\$13,025,000	\$1,495,969	N/A (Refunding)
Series 2001AB COPs	\$35,330,000	\$2,400,000	Completed
Series 2003 COPs	\$41,965,000	\$2,671,645	Approximately 85.1% Completed
Series 2004-R1 COPs	\$39,350,000	Surety Bond (\$3,935,000)	N/A (Refunding)
Total:	\$280,145,000		

IV. Certificates of Participation

D. Certificates of Participation Contact Information

Issuer Contact (all): Nadia Sesay
Mayor's 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: Mitch Gardner
(25th Street) Corporate Trust Department
Union Bank of California
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone: (415) 296-6750
Fax: (415) 296-6757
Email: Mitch.Gardner@uboc.com

Series 1999 COPs: Jeanie Mar
(7th Street) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90071
Telephone: (213) 614-3349
Fax: (213) 614-3355
Email: Jeanie.Mar@WellsFargo.com

Series 2000 COPs: Jeanie Mar
(San Bruno Jail) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90071
Telephone: (213) 614-3349
Fax: (213) 614-3355
Email: Jeanie.Mar@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, 2005, (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
12/1/2005	797700DC2
12/1/2006	797700DD0
12/1/2007	797700DE8
12/1/2008	797700DF5

Maturity Date	Series 1999-1 Bonds
6/1/2006	797700DN8W
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
6/15/2006	797700EG2
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, 2005**:

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, 2005 (the "CAFR")	Appendix A – CAFR - Pages 1 through 180 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=37199
Summary of budgeted general fund revenues and appropriations	Appendix A – CAFR – Pages 15-16, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 190
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 189
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 81, 84, 89
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 92

Parking Authority Bond Issue	Par Amount Outstanding	Reserve Fund Balance
Series 1998-1 Bonds	\$3,060,000	Surety Bond (\$831,300)
Series 1999-1 Bonds	\$21,170,000	Surety Bond (\$2,031,750)
Series 2000A Bonds	\$7,405,000	\$680,601
Total	\$31,635,000	

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
25 Van Ness Avenue, Suite 410
San Francisco, CA 94102
Telephone: (415) 554-9830
Fax: (415) 554-9834
Email: Ronald.Szeto@sfgov.org

Trustee Contact (all): Mitch Gardner
Corporate Trust Department
Union Bank of California
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone: (415) 296-6750
Fax: (415) 296-6757
Email: Mitch.Gardner@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, 2005 (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. October 9, 1997	Series 1997A LRBs Lease Revenue Bonds, Series 1997A (Equipment Lease Program)	<u>\$13,715,000</u>
3. January 22, 1998	Series 1998-I LRBs Lease Revenue Bonds (Citywide Emergency Radio System) Series 1998-I	<u>\$31,250,000</u>
4. July 2, 1998	Series 1998 LRBs Lease Revenue Bonds (Combined Emergency Communications System Equipment) Series 1998	<u>\$23,295,000</u>
5. February 4, 1999	Series 1999-I LRBs Lease Revenue Bonds (Citywide Emergency Radio System) Series 1999-I	<u>\$18,665,000</u>
6. November 17, 1999	Series 1999A LRBs Lease Revenue Bonds, Series 1999A (Equipment Lease Program)	<u>\$8,315,000</u>
7. 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> <u>\$52,500,000</u> <u>\$52,500,000</u> <u>\$52,500,000</u>

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>
8. May 1, 2002	Series 2002A LRBs Lease Revenue Bonds, Series 2002A (Equipment Lease Program)	<u>\$7,900,000</u>
9. April 1, 2003	Series 2003A LRBs Lease Revenue Bonds, Series 2003A (Equipment Lease Program)	<u>\$10,975,000</u>
10. June 23, 2004	Series 2004A LRBs Lease Revenue Bonds, Series 2004A (Equipment Lease Program)	<u>\$9,530,000</u>
11. October 26, 2005	Series 2005A LRBs ³ Lease Revenue Bonds, Series 2005A (Equipment Lease Program)	<u>\$9,420,000</u>

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 1997A LRBs	Series 1999A LRBs	Series 2002A LRBs
10/1/2005	79765XEX0	79765XJB3	79765XJL1
4/1/2006			79765XJM9
10/1/2006			79765XJN7
4/1/2007			79765XJP2
10/1/2007			79765XJQ0

³ The Series 2005A Lease Revenue Bonds were issued after June 30, 2005; 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 (continued)

Maturity Date	Series 2003A LRBs	Series 2004A LRBs	Series 2005A LRBs ³
10/1/2005	79765XJU1	79765XKC9	
4/1/2006	79765XJV9	79765XKD7	79765XKM7
10/1/2006	79765XJW7	79765XKE5	79765XKS4
4/1/2007	79765XJX5	79765XKF2	79765XKN5
10/1/2007	79765XJY3	79765XKG0	79765XKT2
4/1/2008	79765XJZ0	79765XKH8	79765XKP0
10/1/2008	79765XKA3	79765XKJ4	79765XKU9
4/1/2009		79765XKK1	79765XKQ8
10/1/2009		79765XKL9	79765XKV7
4/1/2010			79765XKR6
10/1/2010			79765XKW5

Maturity Date	Series 1997 LRBs	Series 1998-I LRBs	Series 1998 LRBs	Series 1999-I LRBs
4/1/2006	79765XDM5	79765XFE1	79765XFZ4	79765XHJ8
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			

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

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 2005A Lease Revenue Bonds were issued after June 30, 2005; 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, 2005**:

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, 2005 (the "CAFR")	Appendix A – CAFR - Pages 1 through 180 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=37199
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Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 190
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 189
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 92
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 81, 84, 89

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	\$19,180,000	\$1,735,360	Combined Emergency Communications Center	Completed
Series 1997A LRBs	\$605,000	\$235,604	Equipment	Completed
Series 1998-I LRBs	\$15,065,000	\$2,027,254	Emergency Radio System	Completed
Series 1998 LRBs	\$11,840,000	\$2,329,500	Emergency Center Equipment	Completed
Series 1999-I LRBs	\$11,835,000	\$1,756,081	Emergency Radio System	Completed
Series 1999A LRBs	\$185,000	\$40,773	Equipment	Completed
Series 2000-1,-2,-3 LRBs ²	\$154,500,000	N/A	Moscone West Convention Center	Completed
Series 2002A LRBs	\$2,075,000	\$340,045	Equipment	Completed
Series 2003A LRBs	\$6,985,000	\$834,381	Equipment	Approximately 99% Complete
Series 2004A LRBs	\$8,350,000	\$952,955	Equipment	Approximately 94% Complete
Series 2005A LRBs ⁴	\$9,420,000	\$942,000	Equipment	N/A
Totals:	\$230,620,000			

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.

⁴ The Series 2005A Lease Revenue Bonds were issued after June 30, 2005; information on these bonds is provided as a courtesy. Par amount outstanding is not included in total.

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: Mitch Gardner
(Emergency Radio) Corporate Trust Department
Union Bank of California
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone: (415) 296-6750
Fax: (415) 296-6757
Email: Mitch.Gardner@uboc.com

Series 1998 LRBs: Mitch Gardner
(911 Equipment) Corporate Trust Department
Union Bank of California
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone: (415) 296-6750
Fax: (415) 296-6757
Email: Mitch.Gardner@uboc.com

Series 1999-I LRBs: Mitch Gardner
(Emergency Radio) Corporate Trust Department
Union Bank of California
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone: (415) 296-6750
Fax: (415) 296-6757
Email: Mitch.Gardner@uboc.com

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

D. Finance Corporation Bonds Contact Information (continued)

Trustee Contact:

Series 1999A 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 2000-1,-2,-3 LRBs: Jeanie Mar
(Moscone Expansion Project) Wells Fargo Bank
707 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90071
Telephone: (213) 614-3349
Fax: (213) 614-3355
Email: Jeanie.Mar@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

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, 2005 (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
7/1/2005	79765VCL2	
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, 2005:**

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, 2005 (the "CAFR")	Appendix A – CAFR - Pages 1 through 180 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=37199
Summary of budgeted general fund revenue and appropriations	Appendix A – CAFR – Pages 15-16, 31-33
Summary of assessed valuation of taxable property in the City	Appendix A – CAFR – Page 190
Summary of the ad valorem property tax levy and delinquency rate	Appendix A – CAFR – Page 189
Schedule of aggregate annual tax-supported indebtedness	Appendix B
Summary of authorized but unissued, tax-supported indebtedness of the City	Appendix A – CAFR – Page 92

Redevelopment Agency Bond Issue	Par Amount Outstanding	Reserve Fund Balance
Series 2002 LRBs	\$67,555,000	Surety Bond
Series 2004 LRBs	\$33,565,000	\$3,442,780
Total	\$101,120,000	

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

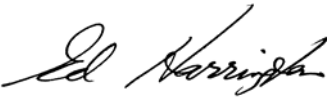
D. Redevelopment Agency Bonds Contact Information.

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 24, 2006

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, 2005

(Please go to the following URL for the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005:

http://www.sfgov.org/site/controller_page.asp?id=37199)

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, 2005 ^[1]			
<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2006	67,805,000	51,464,921	119,269,921
2007	70,795,000	48,529,248	119,324,248
2008	78,090,000	45,421,894	123,511,894
2009	81,715,000	41,629,205	123,344,205
2010	82,495,000	37,620,485	120,115,485
2011	83,980,000	33,469,610	117,449,610
2012	72,320,000	29,417,115	101,737,115
2013	63,135,000	25,920,714	89,055,714
2014	57,440,000	22,826,350	80,266,350
2015	50,250,000	19,990,442	70,240,442
2016	52,740,000	17,455,750	70,195,750
2017	42,460,000	14,793,759	57,253,759
2018	40,775,000	12,625,304	53,400,304
2019	41,030,000	10,535,977	51,565,977
2020	32,040,000	8,448,315	40,488,315
2021	27,545,000	7,320,418	34,865,418
2022	21,650,000	5,502,185	27,152,185
2023	20,265,000	4,639,681	24,904,681
2024	17,625,000	3,796,094	21,421,094
2025	12,300,000	3,100,438	15,400,438
2026	12,900,000	2,640,063	15,540,063
2027	13,500,000	2,157,188	15,657,188
2028	14,100,000	1,651,813	15,751,813
2029	14,400,000	1,123,500	15,523,500
2030	<u>15,000,000</u>	<u>584,375</u>	<u>15,584,375</u>
TOTAL ^{[2][3]}	\$1,086,355,000	\$452,664,844	\$1,539,019,844

^[1] The City's only outstanding direct tax supported debt is general obligation bonds. 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] Total debt does not include the Series 2005EFGH GO Bonds and Series 2005I GO Bonds issued after June 30, 2005.

^[3] For purposes of this table, the interest payments on the General Obligation Bonds Series 2005B, C, D (Laguna Honda Hospital) are assumed to be 3.5%. These bonds are in variable rate mode.

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, 2005) ^[1]

<u>General Obligation Bond Issue</u>	<u>Series</u>	<u>Par Amount Outstanding</u>
Refunding General Obligation Bonds, Series 1997-1	1997-1	292,860,000
Golden Gate Park Improvements	1997A	17,830,000
School District Facilities Improvements	1997B	15,650,000
Taxable Affordable Housing Bonds	1998A	15,595,000
Taxable Affordable Housing Bonds	1999A	16,500,000
Educational Facilities Bonds - Community College District	1999A	16,125,000
Educational Facilities Bonds - SF Unified School District	1999B	47,870,000
Zoo Facilities Bonds	1999C	13,325,000
Asian Art Museum Project	1999D	13,345,000
Educational Facilities Bonds - Community College District	2000A	24,885,000
Zoo Facilities Bonds	2000B	14,655,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2000C	5,195,000
Affordable Housing Bonds	2000D	16,780,000
Golden Gate Park Improvements	2001A	14,630,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2001B	12,055,000
Affordable Housing Bonds	2001C	14,760,000
Taxable Affordable Housing Bonds	2001D	20,395,000
Branch Library Facilities Improvement Bonds	2001E	15,275,000
Refunding General Obligation Bonds, Series 2002-R1	2002-R1	102,290,000
Zoo Facilities Bonds	2002A	5,545,000
Branch Library Facilities Improvement Bonds	2002B	20,665,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2003A	19,360,000
Educational Facilities Bonds - SF Unified School District	2003B	27,230,000
Neighborhood Recreation and Parks Facilities Improvement Bonds	2004A	66,500,000
California Academy of Sciences Improvement	2004B	7,805,000
Refunding General Obligation Bonds, Series 2004-R1	2004R-1	19,230,000
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	<u>40,000,000</u>
	TOTAL	\$1,086,355,000

^[1] Total debt does not include the Series 2005EFGH GO Bonds and Series 2005I GO Bonds issued after June 30, 2005.

Source: 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

CURRENT PARKING METER RATES AND INVENTORY AS OF JUNE 30, 2005

<u>Category</u>	<u>Hourly Rate</u>	<u>On Street Meters</u>	<u>Off Street Meters</u>	<u>Total Meters</u>
Zone 1	\$2.00	2,707		2,707
Zone 2	\$1.50	4,532	34	4,566
Zone 3	\$1.00	13,610	568	14,178
Zone 4	\$1.50	441		441
Motorcycle 1	\$0.25	416		416
Motorcycle 2	\$0.15	323		323
Motorcycle 3	\$0.10	405		405
Motorcycle 4	\$0.15	5		5
Totals		22,439	602	23,041

SUPPLEMENTAL REIMBURSEMENTS

The Parking Authority did not receive any supplemental reimbursements in the fiscal year ending June 30, 2005.

DEBT SERVICE COVERAGE

Fiscal Year ending June 30, 2005

Meter Revenues ¹	\$24,148,426.00
Maximum Annual Debt Service Coverage	\$1,239,551.60
	19.48

¹ For purposes of debt service coverage for the Parking Meter Revenue Refunding Bonds, 1999-1, meter revenues do not include off-street parking or City-owned meter lots.

APPENDIX E

FY 2005-06 SIX-MONTH BUDGET STATUS REPORT

(Please go to the following URL for the City's FY 2005-06 Six-Month Budget Status Report:

http://www.sfgov.org/site/uploadedfiles/controller/budget_information/0506_Status6MO.pdf)



Edward Harrington
Controller

Monique Zmuda
Deputy Controller

February 3, 2006

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 2005-06 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, 2005 through December 31, 2005. 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 \$137.31 million for the General Fund by the end of fiscal year 2005-2006 (FY 2005-06). 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 2004-05 as well as further continuing revenue growth in the current fiscal year and some projected expenditure savings. For comparison purposes, the City ended **FY 2004-05** with a \$137.18 million available fund balance.

This level of projected fund balance is good news and reflects continued improvement in our local economy. Much of this information was known and included in the \$80 million projected shortfall outlined in the Mayor's FY 2006-07 budget instructions issued in December. The Three-Year Projection Report (i.e. the Joint Report) will be published in about one month and will include updated projections and the collective opinions of the Board's Budget Analyst, Controller and Mayor's Budget Director regarding the budget projections for FY 2006-07 and the subsequent two fiscal years.

The projected year-end balance is based on current revenue and spending patterns. The actual year-end balance may differ due to changes in revenues, spending rates, the amount of 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 of the economic recovery and associated revenue growth.

Chart A: Six-Month General Fund Budget Summary – FY 2005-06 (millions)

	AAO Original Budget	Revised Budget	Year-End Projection	Projected Incremental Available Fund Balance
SOURCES:				
Prior-Year Fund Balance	\$ 117.99	\$ 118.17	\$ 137.18	\$ 19.01
Prior-Year Reserves Budgeted in the Current Year (CY)	2.49	2.49	2.49	-
Subtotal Sources - Prior Year	\$ 120.48	\$ 120.66	\$ 139.67	\$ 19.01
Current Year Revenues	2,285.14	2,292.98	2,389.27	96.29
Current Year Transfers-In	107.57	108.38	107.60	(0.78)
Subtotal Sources - CY Revenues & Transfers-In	\$ 2,392.71	\$ 2,401.36	\$ 2,496.88	\$ 95.52
Current Year Transfers (Out), Operating	(59.90)	(59.90)	(59.90)	-
Carryforwards & Transfers, net	-	117.46	117.46	-
Subtotal Sources - CY, Carryforwards & Transfers	\$ 2,332.81	\$ 2,458.92	\$ 2,554.44	\$ 95.52
Total Sources	\$ 2,453.29	\$ 2,579.59	\$ 2,694.11	\$ 114.52
USES:				
Operating Expenditures, net of recoveries	1,898.88	1,963.33	1,956.33	7.00
Project Expenditures	129.18	173.54	173.54	-
Capital & Facilities Maintenance	40.49	40.49	40.49	-
Baseline Funding Requirement Transfers Out	173.66	173.66	186.75	(13.10)
Subsidy Transfers to Hospitals & Other Transfers	156.98	157.73	142.49	15.24
Reserves	29.86	46.59	46.59	-
Total Uses - Current Year	\$ 2,429.03	\$ 2,555.32	\$ 2,546.19	\$ 9.14
Required Reserves from Current Year Resources				
Rainy Day - Economic Stabilization Reserve			4.80	(4.80)
Rainy Day - Capital & One-Time Uses Reserve			2.40	(2.40)
Budget Savings - Recreation & Park Reserve			1.40	(1.40)
Budget Savings - Citywide Incentive Reserve			2.00	(2.00)
Total Uses - Current Year & Set-Asides	\$ 2,429.03	\$ 2,555.32	\$ 2,556.79	\$ (1.47)
GENERAL FUND ENDING BALANCE	\$ 24.26	\$ 24.26	\$ 137.31	\$ 113.05

General Fund Beginning Balance & Prior Year Reserves

At the time the budget for FY 2005-06 was prepared, we anticipated starting the current fiscal year with a General Fund beginning balance of \$117.99 million and prior-year reserves of \$2.49 million. When the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005 was completed in December 2005, we confirmed that the ending balance from the previous fiscal year was \$137.18 million, along with prior-year reserve balances of \$2.49 million assumed liquidated in the current year. As a result, there is an additional \$19.01 million of prior-year sources available from FY 2004-05 that was not anticipated for FY 2005-06.

Current Revenues and Transfers In

We project revenues and transfers-in to be \$95.52 million better than the revised FY 2005-06 budget. The revenue surplus is primarily due to higher property tax, real property transfer tax, payroll tax, and utility users tax revenues. Some shortfalls in social service subventions are projected with more than offsetting expenditure savings in the Human Services Agency. In addition to realized revenues through the first six months of FY 2005-06, posted January 2006 activity-to-date 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 8) 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 2005-06 (millions)

Revenues & Transfers-In, US\$ Millions	FY 2004-05		FY 2005-06		<i>sort order</i>
	Year-End Actuals	Revised Budget	6-Month Projection	Budget to 6-Month	Surplus / (Shortfall) from
Property Tax	\$ 710.49	\$ 696.66	\$ 760.16	\$ 63.50	
Real Property Transfer Tax	116.80	83.00	104.50	21.50	
Business Taxes	292.17	288.32	297.66	9.34	
Utility Users Tax	72.57	70.92	74.75	3.83	
Parking Tax	33.09	33.12	33.75	0.63	
Subtotal - Key Surpluses	1,225.12	1,172.02	1,270.83	98.81	
Motor Vehicle In Lieu	3.68	36.66	33.61	(3.05)	
Public Safety Service Charges	17.84	21.61	20.52	(1.09)	
Sales Tax	94.69	102.78	102.17	(0.61)	
Health & Welfare Realignment	156.09	158.45	158.45	-	
Hotel Room Tax	108.91	121.46	121.46	-	
Property Sales	9.20	7.75	7.75	-	
Other Revenues	612.01	672.26	674.49	2.23	
Subtotal - Other Key Revenues	1,002.42	1,120.96	1,118.45	(2.51)	
Total Revenues	2,227.54	2,292.98	2,389.27	96.29	
Transfers In	140.41	108.38	107.60	(0.78)	
Total Revenues & Transfers In	\$ 2,367.95	\$ 2,401.36	\$ 2,496.88	\$ 95.52	
<i>Revenues Better from Prior Year Actual by...</i>	<i>\$ 157.18</i>	<i>\$ 65.44</i>	<i>\$ 161.74</i>		
<i>% Increase</i>	<i>7.6%</i>	<i>2.9%</i>	<i>7.3%</i>		
<i>Revenues & Transfers In Better from Prior Year...</i>	<i>\$ 176.1</i>	<i>\$ 33.4</i>	<i>\$ 128.9</i>		
<i>% Increase</i>	<i>8.0%</i>	<i>1.4%</i>	<i>5.4%</i>		

State Budget Impact: The FY 2005-06 Adopted State Budget included discretionary revenue reductions of \$25.17 million related to Property Tax Educational Revenue Augmentation Fund (ERAF) III diversion. FY 2005-06 is the second of two years that the ERAF III shift was projected to hit the General Fund. In addition to this \$25.17 million reduction, shifts from our General Fund of approximately \$260 million continue for ERAF I and II, which are assumed to be on-going in the Governor's Proposed Budget released on January 10, 2006 for the upcoming FY 2006-07.

The repayment of the Vehicle License Fee revenues diverted by the State in FY 2003-04 have been received in FY 2005-06 – creating a one-time surge in Motor Vehicle revenues noted in the

table on the previous page. Additionally, 0.25% of the Local 1.00% Sales Tax continues to be shifted from the General Fund to cover debt service on the State's Economic Recovery Bonds. Both this Sales Tax shift and the permanent rollback of Vehicle License Fees are backfilled by property taxes, as assumed in the budget and projected in this report.

Current Operating Expenditures & Transfers Out

Based on current spending patterns, we project overall departmental expenditures and transfers-out savings of \$9.14 million by fiscal year-end. Chart C below incorporates that savings and further factors in the projected General Reserve balance less partially offsetting 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 17) 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 2005-06 (millions)

Net Shortfall Departments		<i>Sort Order</i>		
US\$ millions		SOURCES	USES	NET
		Surplus / (Short)	Under / (Over)	Savings /
		Budget	Budget	(Shortfall)
Police	\$	(1.47)	(5.66)	(7.13)
Elections		0.74	(1.41)	(0.67)
Public Works		(0.10)	(0.40)	(0.50)
Total Net Projected Shortfall	\$	(0.82)	(7.47)	(8.29)
Net Surplus Departments		<i>Sort Order</i>		
		SOURCES	USES	NET
		Surplus / (Short)	Under / (Over)	Savings /
		Budget	Budget	(Shortfall)
Public Health including Subsidies to Hospitals	\$	4.75	16.19	20.93
Recreation & Parks		1.84	1.40	3.25
Human Services		(8.43)	11.62	3.18
City Planning		0.54	0.50	1.04
Other Departments		1.12	0.00	1.12
Total Net Projected Savings	\$	(0.18)	29.71	29.52
Citywide & General Tax Revenues		96.52		96.52
Baselines - Library			(2.10)	(2.10)
Baselines - Children's Services			(3.11)	(3.11)
Baselines - Municipal Transportation Agency			(7.90)	(7.90)
Subtotal - Current Year Operations	\$	95.52	9.14	104.65
General Reserve			24.26	24.26
Prior Year Fund Balance		19.01		19.01
Incremental Required Reserves - Dept. Savings			(3.40)	(3.40)
Incremental Required Reserves - Rainy Day			(7.20)	(7.20)
Net Surplus / (Shortfall)	\$	114.52	22.79	137.31

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 \$5.62 million while Laguna Honda Hospital will have a net surplus of \$9.61 million for a total of \$15.24 million.

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, real property transfer tax and business taxes revenues. Chart D outlines the General Fund Appropriation, the Current Required Baseline, and the Projected Increase / (Decrease) Contribution needed given the projections outlined in this report.

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

Baseline	Current Year				Total Current Year & Prior Year
	FY 2004-05	FY 2005-06		Projected Increase / (Decrease) Contribution as of 6-Month Report	
	Prior Year Increase / (Decrease) from Year-End Reserves	AAO Original Budget General Fund Appropriation	6-Month Required Baseline		
Revenue Driven					
Children's Services	\$1.18	\$78.91	\$82.02	\$3.11	\$4.29
Library Preservation	\$1.00	\$33.79	\$35.89	\$2.10	\$3.10
Municipal Railway	\$2.98	\$102.74	\$108.41	\$5.68	\$8.65
Parking & Traffic	\$1.06	\$37.13	\$39.35	\$2.22	\$3.28
Subtotal MTA	\$4.04	\$139.87	\$147.76	\$7.90	\$11.93
Total	\$6.22	\$252.57	\$265.66	\$13.10	\$19.32

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, 2005	Budgeted (Use) in in the Current Year	Required Funding from Current Year	Projected June 30, 2006
Rainy Day - Economic Stabilization Reserve	\$ 48.14	\$ -	\$ 4.80	\$ 52.94
Rainy Day - Capital & One-Time Spending Reserve	-	-	2.40	2.40
Budget Savings - Recreation & Park Reserve	3.08	(0.49)	1.40	3.99
Budget Savings - Citywide Incentive Reserve	2.63	(2.00)	2.00	2.63

Required Set-Asides – Rainy Day Reserve Requirements: 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 \$9.61 million of revenues exceeding the policy adjusted revenue threshold of five percent. Of this \$9.61 million, \$4.80 million is the projected deposit into the Rainy Day (Economic Stabilization) Reserve and \$2.40 million is the projected deposit into the Rainy Day One-Time Spending Reserve.

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 Rev	Rainy Day Requirements, Deposit/(Withdrawal)			
		\$	%			Economic Stabilization		One-Time Balance	
						CCSF	USD		Balance
FY 2003-04	2,035.99	70.12	3.6%				\$ 55.14		
FY 2004-05	2,203.88	167.89	8.2%			\$ -	\$ (7.00)	\$ 48.14	\$ -
Budget FY 2005-06	2,221.65	17.77	0.8%	2,314.07	(92.43)	\$ -	\$ -	\$ 48.14	\$ -
Projected FY 2005-06	2,323.68	119.80	5.4%	2,314.07	9.61	\$ 4.80	\$ -	\$ 52.94	\$ 2.40

Required Set-Asides – Recreation & Park Budget Savings Incentive Reserve: Charter Section 16.107 requires that ‘overall Department expenditure savings shall be retained by the Department to be dedicated to one-time expenditures’. Expenditure savings are set-aside in the **Recreation & Parks Budget Savings Incentive Reserve**. Based on current projections, \$1.40 million will be required to add to this reserve at fiscal year-end, resulting in a projected year-end total balance of \$3.99 million.

Required Set-Asides – Citywide Budget Savings Incentive Reserve: Administrative Code Section 3.17 requires the greater of \$2.00 million or 10 percent of departments’ year-end appropriation savings to be set-aside in a **Savings Incentive Reserve**. Based on current projections, \$2.00 million will be required to add to this reserve at fiscal year-end, resulting in a projected year-end total balance of \$2.63 million.

Supplemental Appropriations

General Fund supplemental appropriation requests approved through the end of January by the Board did not use any of the General Reserve. Our projections assume proposed or pending supplementals for new programs or services will not be approved and that only supplementals that adjust appropriations to projected spending for Police, Elections and Public Health will be approved.

The Police and Elections supplementals are assumed to use the General Reserve, whereas Public Health's supplemental is revenue-backed by additional patient revenues. Please see a summary of approved, as well as other active and anticipated supplemental appropriation requests in **Appendix A**. To the degree that supplemental appropriations (other than those we have already assumed) currently pending before the Board or additional supplementals are approved using the General Reserve, the projected year-end balance will be reduced.

Expenditure Reserves

Each year, the Board of Supervisors places certain budget items on reserve, requiring subsequent Board approval before these funds can be spent. **Appendix B** provides a status report on the Board reserves and their remaining balances as of January 31, 2006. For projection purposes, this report assumes that all of these Board reserves are released and expended. To the degree that these 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.

General Fund Ending Balance

Based on the current revenue and expenditure projections, the City's year-end General Fund balance would be \$137.31 million – a net positive balance, similar in size to the FY 2005-06 beginning fund balance of \$137.18 million.

II. Sources of Funds, Revenues & Transfers In (millions), Chart F

GENERAL FUND (US\$ millions)	FY 2004-05	FISCAL YEAR 2005-06 (Current Year, CY)				Surplus / (Shortfall) from Revised	
	Prior Year (PY) Actuals	Original Budget	Revised Budget	6 -Month Projection			
PROPERTY TAXES	\$ 710.49	\$ 696.66	\$ 696.66	\$ 760.16	\$ 63.50	(1)	
BUSINESS TAXES:							
Business Registration Tax	\$ 7.36	\$ 7.13	\$ 7.13	\$ 7.81	\$ 0.68	(2)	
Payroll Tax	\$ 284.81	\$ 281.19	\$ 281.19	\$ 289.85	\$ 8.66	(3)	
Total Business Taxes	\$ 292.17	\$ 288.32	\$ 288.32	\$ 297.66	\$ 9.34		
OTHER LOCAL TAXES:							
Sales Tax	\$ 94.69	\$ 102.78	\$ 102.78	\$ 102.17	\$ (0.61)	(4)	
Hotel Room Tax	\$ 108.91	\$ 121.46	\$ 121.46	\$ 121.46	\$ -	(5)	
Utility Users Tax	\$ 72.57	\$ 70.92	\$ 70.92	\$ 74.75	\$ 3.83	(6)	
Parking Tax	\$ 33.09	\$ 33.12	\$ 33.12	\$ 33.75	\$ 0.63	(7)	
Real Property Transfer Tax	\$ 116.80	\$ 83.00	\$ 83.00	\$ 104.50	\$ 21.50	(8)	
Stadium Admission Tax	\$ 2.18	\$ 2.43	\$ 2.43	\$ 2.50	\$ 0.07	(9)	
Total Other Local Taxes	\$ 428.24	\$ 413.71	\$ 413.71	\$ 439.14	\$ 25.43		
LICENSES, PERMITS & FRANCHISES							
Licenses & Permits	\$ 6.64	\$ 6.70	\$ 6.70	\$ 6.58	\$ (0.12)	(10)	
Franchise Tax	\$ 12.79	\$ 12.42	\$ 12.42	\$ 13.17	\$ 0.75	(11)	
Total Licenses, Permits & Franchises	\$ 19.43	\$ 19.13	\$ 19.13	\$ 19.76	\$ 0.63		
FINES, FORFEITURES & PENALTIES	\$ 9.54	\$ 11.48	\$ 11.48	\$ 10.26	\$ (1.21)	(12)	
INTEREST & INVESTMENT INCOME	\$ 12.59	\$ 11.31	\$ 11.39	\$ 13.39	\$ 2.00	(13)	
RENTS & CONCESSIONS							
Garages - Rec/Park	\$ 8.06	\$ 7.93	\$ 7.93	\$ 8.22	\$ 0.30	(14)	
Rents and Concessions - Rec/Park	\$ 10.94	\$ 9.98	\$ 9.98	\$ 11.16	\$ 1.18	(15)	
Other Rents and Concessions	\$ 1.47	\$ 1.68	\$ 1.68	\$ 1.50	\$ (0.18)	(15)	
Total Rents and Concessions	\$ 20.47	\$ 19.58	\$ 19.58	\$ 20.88	\$ 1.29		
INTERGOVERNMENTAL REVENUES							
Federal Government							
Social Service Subventions	\$ 164.87	\$ 197.23	\$ 190.61	\$ 190.69	\$ 0.07	(16)	
Other Grants & Subventions	\$ 0.87	\$ 9.11	\$ 9.11	\$ 9.76	\$ 0.65	(17)	
Total Federal Subventions	\$ 165.74	\$ 206.34	\$ 199.73	\$ 200.45	\$ 0.72		
State Government							
Social Service Subventions	\$ 120.03	\$ 117.93	\$ 131.40	\$ 122.97	\$ (8.43)	(18)	
Health & Welfare Realignment	\$ 156.09	\$ 158.45	\$ 158.45	\$ 158.45	\$ -	(19)	
Health/Mental Health Subventions	\$ 75.11	\$ 71.95	\$ 72.48	\$ 72.48	\$ -	(20)	
Public Safety Sales Tax	\$ 65.67	\$ 70.00	\$ 70.00	\$ 68.94	\$ (1.06)	(21)	
Motor Vehicle In-Lieu	\$ 3.68	\$ 36.66	\$ 36.66	\$ 33.61	\$ (3.05)	(22)	
Other Grants & Subventions	\$ 17.90	\$ 19.40	\$ 19.49	\$ 26.53	\$ 7.04	(23)	
Total State Subventions	\$ 438.48	\$ 474.39	\$ 488.48	\$ 482.98	\$ (5.49)		
CHARGES FOR SERVICES:							
General Government Service Charges	\$ 23.87	\$ 27.05	\$ 27.11	\$ 27.79	\$ 0.68	(24)	
Public Safety Service Charges	\$ 17.84	\$ 21.61	\$ 21.61	\$ 20.52	\$ (1.09)	(25)	
Recreation Charges - Rec/Park	\$ 6.25	\$ 5.80	\$ 5.80	\$ 6.35	\$ 0.55	(26)	
MediCal, MediCare & Health Service Charges	\$ 44.17	\$ 47.99	\$ 47.27	\$ 47.99	\$ 0.72	(27)	
Other Service Charges	\$ 7.91	\$ 8.78	\$ 9.90	\$ 9.90	\$ -		
Total Charges for Services	\$ 100.05	\$ 111.22	\$ 111.69	\$ 112.55	\$ 0.86		
RECOVERY OF GEN. GOV'T. COSTS	\$ 16.08	\$ 19.77	\$ 19.77	\$ 19.09	\$ (0.68)	(28)	
OTHER REVENUES	\$ 14.28	\$ 13.24	\$ 13.05	\$ 12.95	\$ (0.10)	(29)	
TOTAL REVENUES	\$ 2,227.54	\$ 2,285.14	\$ 2,292.98	\$ 2,389.27	\$ 96.29		
TRANSFERS INTO GENERAL FUND:							
Airport	\$ 19.68	\$ 21.94	\$ 21.94	\$ 21.17	\$ (0.78)	(30)	
Other Transfers	\$ 120.73	\$ 85.63	\$ 86.44	\$ 86.44	\$ -		
Total Transfers-In	\$ 140.41	\$ 107.57	\$ 108.38	\$ 107.60	\$ (0.78)		
TOTAL GENERAL FUND RESOURCES	\$ 2,367.95	\$ 2,392.71	\$ 2,401.36	\$ 2,496.88	\$ 95.52		

Notes to Sources of Funds Schedule:

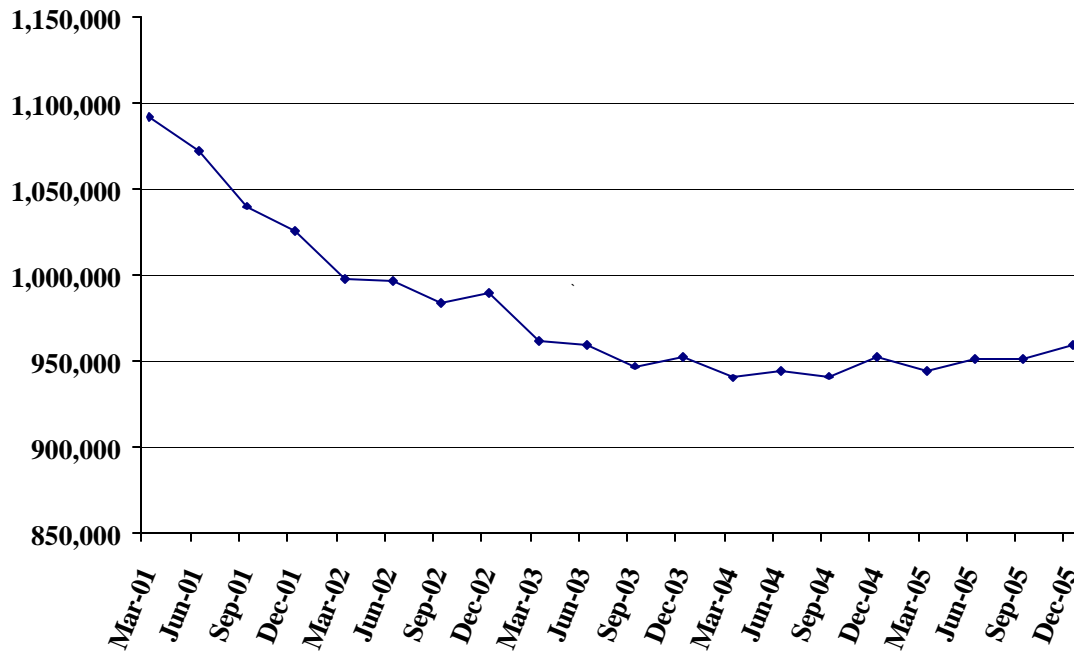
- (1) **Property Tax** revenues are projected to be \$63.50 million better than budget. This is due to four factors: 1) higher assessed valuation growth, 2) assessment appeals experience to date, 3) increased backfill allocations from the State related to vehicle license fees and sales tax shifts (\$14.2 million), and 4) higher supplemental assessments (\$8.00 million). San Francisco’s net assessed valuation grew 6.64 percent in FY 2005-06 from FY 2004-05 compared to an approximate five percent assumed in the budget. ERAF III resulted in shifts of \$25.17 million, which is the same as assumed in the budget. The projected impact is summarized for the General Fund and selected Special Revenue Funds below.

	FY 2005-06		
	Original Budget	6-Month	Surplus / (Shortfall) \$ millions
General Fund	\$ 696.66	\$ 760.16	\$ 63.50
Children's Fund	\$ 30.38	\$ 33.14	\$ 2.77
Library Fund	\$ 25.40	\$ 27.72	\$ 2.32
Open Space Fund	\$ 25.40	\$ 27.72	\$ 2.32

Assessment Backlog: Reduction to the assessment backlog is usually also considered during our projection. At this time the Assessor’s Office is still in the process of estimating changes to the backlog. We will report further information in the Controller’s Nine-Month Report.

- (2) **Business Registration** revenues are projected to be \$0.68 million better than budget based on business formations and renewals to date.
- (3) **Payroll Tax** revenues are projected to be \$8.66 million better than budget. The budget assumed slow growth in employment with moderate wage increases. Additionally, prior-year actuals exceeded the prior year-end projection, which meant that the current year budget assumptions had a higher starting base from which to grow. The following chart shows the employment levels for the San Francisco Primary Metropolitan Statistical Area (i.e. the PMSA which includes San Francisco, Marin and San Mateo counties) and is the most focused geographical area for which current data is available. The labor growth that was assumed in the budget appears to have materialized. Our projection assumes average wage inflation of 2.0% percent over the prior year.

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



Source: California Economic Development Department

Job Growth Is Up Over Last 12+ Months
San Francisco PMSA (Marin, San Francisco, San Mateo)

	<u>Average Annual Growth</u>		<u>Growth from Prior Year</u>
CY 2005	0.80%	December 2005	0.75%
CY 2004	-1.26%	December 2004	-0.01%

Business Taxes Revenue \$ millions

<u>Fiscal Year</u>	<u>Total</u>	<u>Annual Growth</u>	
		<u>\$ Change</u>	<u>% Change</u>
FY 2000-01	\$ 277.09	\$ 9.90	3.7%
FY 2001-02	\$ 274.13	\$ (2.97)	(1.1%)
FY 2002-03	\$ 276.13	\$ 2.00	0.7%
FY 2003-04	\$ 264.35	\$ (11.78)	(4.3%)
FY 2004-05	\$ 292.17	\$ 27.82	10.5%
Budget FY 2005-06	\$ 288.32	\$ (3.85)	(1.3%)
Projection FY 2005-06	\$ 297.66	\$ 5.49	1.9%

- (4) **Sales Tax** revenues are projected to be higher than the prior year but are still \$0.61 million under budget. The 6-month projection of \$102.17 million includes prior-year adjustments for one-time tax amnesty revenues of \$2.00 million, 6.6 percent underlying growth in retail activity, and prior quarters allocation adjustments posting in current year. As illustrated in the table below, San Francisco sales tax collections are up significantly in recent history. For the most recent quarter, the 3rd Quarter 2005, the City had cash receipts growth of 18.9 percent, which corresponded to an estimated 3.7 percent of real underlying sales activity once adjustments were factored in allocation and tax amnesty adjustments. San Francisco's sales tax revenue continues to be more dependent on tourism than most other cities in California, any sustained increase in this revenue will be dependent on both tourism and jobs growth.

Sales Tax Activity Positive in San Francisco, Bay Area, and California

Fiscal Year	Calendar Quarter	9 County Bay		
		San Francisco	Area	California
FY 2005-06	3rd Quarter 2005*	+18.9%	+17.0%	+16.0%
FY 2004-05	2nd Quarter 2005**	+6.4%	6.7%	+9.3%
	1st Quarter 2005*	+5.1%	2.4%	4.9%
	4th Quarter 2004*	+6.3%	7.7%	11.4%
	3rd Quarter 2004	+0.8%	1.7%	4.9%
FY 2003-04	2nd Quarter 2004	+8.4%	6.6%	7.7%
	1st Quarter 2004*	+8.2%	8.0%	10.2%
	4th Quarter 2003*	+2.7%	2.8%	4.2%
	3rd Quarter 2003	-1.6%	-1.4%	2.5%
FY 2002-03	2nd Quarter 2003	-3.3%	-2.3%	5.0%
	1st Quarter 2003	-2.0%	-3.0%	4.6%
	4th Quarter 2002	-1.7%	-4.4%	0.8%
	3rd Quarter 2002	-5.0%	-3.1%	3.1%
FY 2001-02	2nd Quarter 2002	-9.7%	-8.4%	-1.3%
	1st Quarter 2002	-17.8%	-12.7%	-3.7%
	4th Quarter 2001	-17.0%	-13.5%	-2.0%
	3rd Quarter 2001	-20.3%	-11.5%	-1.2%
FY 2000-01	2nd Quarter 2001	-8.7%	-5.0%	0.0%

Notes: * Reflects SF adjustments for material prior quarter re-allocations from CA BOE.

** Reflects SF adjustments for material prior quarter re-allocations and Tax Amnesty.

2nd Quarter 2005 up significantly due to a one-time, statewide tax amnesty program.

Source: CA Board of Equalization, HdL

- (5) **Hotel Room Tax** revenues allocated to the General Fund are projected to be on budget. Overall, hotel room tax revenues (all funds) are projected to be approximately \$170.11 million, or 7.7 percent above prior-year revenue levels. Hotel occupancy rates and average daily room rates continued strengthening in the early part of the fiscal year. The tables on page 13 summarize Occupancy and Average Daily Room Rates (ADRs) by month.

Our projection is based on realized revenue collections-to-date, interviews with hotel industry professionals, and assumes continued economic strengthening and a slight increase in average daily room rates for FY 2005-06. Our current forecast assumes average annual occupancy rates of 77.9 percent and average annual daily room rates (ADRs) of \$154.49. Hotel room tax revenues fluctuate primarily based on these two variables.

Hotel Tax Revenue - All Funds (\$ millions)

Fiscal Year	Total	Annual Growth	
		\$ Change	% Change
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%
Budget FY 2005-06	\$ 170.11	\$ 12.17	7.7%
Projection FY 2005-06	\$ 170.11	\$ 12.17	7.7%

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
July	88.0%	87.5%	75.4%	68.7%	77.0%	81.1%	84.3%
August	81.3%	90.2%	80.8%	74.7%	83.5%	81.5%	88.9%
September	86.9%	88.5%	58.3%	68.1%	75.0%	81.6%	87.9%
October	82.7%	87.9%	61.1%	73.7%	76.1%	84.5%	83.7%
November	74.1%	72.7%	53.9%	60.9%	69.8%	63.1%	71.4%
December	62.1%	64.4%	50.0%	55.6%	56.9%	62.4%	63.8%
January	67.0%	63.5%	50.3%	51.3%	54.5%	58.7%	60.4%
February	79.7%	70.4%	56.9%	57.9%	63.6%	67.3%	69.2%
March	88.6%	72.9%	60.7%	59.4%	73.6%	74.0%	75.3%
April	84.7%	70.7%	67.8%	62.8%	73.2%	75.8%	77.9%
May	84.4%	76.9%	65.7%	68.7%	78.9%	79.0%	83.5%
June	91.7%	80.0%	74.5%	72.9%	80.8%	82.4%	87.9%
AVG. OCC. RATE	80.9%	77.1%	63.0%	64.6%	71.9%	74.3%	77.9%
% Rate Chg from PY	1.1%	-3.8%	-14.2%	1.6%	7.3%	2.4%	3.6%
% Change from PY	1.4%	-4.7%	-18.4%	2.6%	11.4%	3.3%	4.8%

Overall Strengthening in SF Market During FY 2004-05

Continued Strengthening in Occupancy

Estimated

Fiscal Year Peak **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
July	\$ 154.98	\$ 175.56	\$ 156.14	\$ 140.65	\$ 136.72	\$ 140.34	\$ 149.50
August	\$ 150.06	\$ 165.89	\$ 159.01	\$ 134.34	\$ 133.63	\$ 141.62	\$ 150.79
September	\$ 158.09	\$ 180.33	\$ 157.35	\$ 140.18	\$ 141.04	\$ 147.04	\$ 167.50
October	\$ 153.22	\$ 191.46	\$ 166.56	\$ 156.21	\$ 158.28	\$ 161.13	\$ 172.97
November	\$ 148.02	\$ 169.40	\$ 151.08	\$ 140.01	\$ 141.82	\$ 143.93	\$ 155.74
December	\$ 146.22	\$ 162.24	\$ 136.65	\$ 129.56	\$ 129.33	\$ 138.79	\$ 138.70
January	\$ 153.17	\$ 174.24	\$ 146.41	\$ 140.60	\$ 133.75	\$ 139.77	\$ 147.17
February	\$ 156.25	\$ 181.78	\$ 146.09	\$ 143.65	\$ 138.73	\$ 146.36	\$ 150.96
March	\$ 164.96	\$ 179.18	\$ 143.95	\$ 138.06	\$ 154.22	\$ 148.89	\$ 155.40
April	\$ 164.39	\$ 168.79	\$ 156.06	\$ 140.30	\$ 142.54	\$ 157.31	\$ 152.27
May	\$ 168.41	\$ 191.63	\$ 152.38	\$ 149.66	\$ 149.40	\$ 153.63	\$ 159.61
June	\$ 175.50	\$ 173.72	\$ 160.85	\$ 135.91	\$ 148.02	\$ 153.67	\$ 153.29
AVERAGE ADR	\$ 157.77	\$ 176.19	\$ 152.71	\$ 140.76	\$ 142.29	\$ 147.71	\$ 154.49
\$ Change from PY	\$ 10.25	\$ 18.41	\$ (23.47)	\$ (11.95)	\$ 1.53	\$ 5.42	\$ 6.79
% Change from PY	6.9%	11.7%	-13.3%	-7.8%	1.1%	3.8%	4.6%

Year-over-Year ADR Prices Continued to Increase

Continued Strengthening in ADRs

Estimated

Fiscal Year Peak

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 \$3.83 million better than budget. This is due to higher natural gas commodity prices than assumed in the budget, which resulted in additional tax revenue from commercial customers.
- (7) **Parking Tax** revenues are projected to be \$0.63 million better than budget.
- (8) **Real Property Transfer Tax** revenues are projected to be \$21.50 million better than budget. Actual-to-date is \$74.61 million, or approximately 90 percent of current budget. The unprecedented rate and volume of commercial building sales has continued. However, these elevated revenue levels are not sustainable over the long run. This revenue is one of the more volatile and is highly impacted by economic cycles and interest rates. Low mortgage rates have helped this revenue; however, interest rates are projected to continue in upward pressure thus providing additional incentive for real estate transactions to occur sooner than later. Reviewing a breakdown of Recorder data for the past several years shows that variability is primarily attributable to property of value greater than \$1 million. Table below summarizes the tax revenue by size.

Fiscal Year	Real Property Transfer Tax Revenue (\$ millions)			Timing Differences	Total Revenue*
	@ 0.50% <\$250,000	@ 0.68% >\$250,000	@ 0.75% >\$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 Budget	\$ 0.62	\$ 34.75	\$ 47.63	\$ (0.00)	\$ 83.00
FY 2005-06 Projected	\$ 0.69	\$ 37.47	\$ 66.34	\$ (0.00)	\$ 104.50

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

- (9) **Stadium Admission Tax** revenues are projected to be \$0.07 million better than budget due to the Department of Recreation & Park reflecting pre-season sales of 49^{ERS} tickets into the fiscal year when the games occur.
- (10) **Licenses and Permit** revenues are projected to be on \$0.12 million under budget due to fee revenue weakness at the Department of Public Works:
- -\$0.06 million in Café Tables;
 - -\$0.03 million in Newsracks; and
 - -\$0.03 million in Sidewalk Display.

- (11) **Franchise Tax** revenues are projected to be \$0.75 million better than budget. Higher natural gas commodity prices discussed above in the Utility Users Tax section also impact this revenue.
- (12) **Fines, Forfeitures and Penalty** revenue is projected to be \$1.21 million under budget due to revenue weakness in the Department of Public Works and District Attorney:
 - -\$0.11 million in Department of Public Works Penalties; and
 - -\$1.10 million in District Attorney Consumer Protection Fines.
- (13) **Interest Income** is projected to be \$2.00 million better than budget because of increasing interest earnings and higher average cash balances. The Fed continues to raise short-term interest rates. This measured increase in short-term rates has resulted in higher interest revenues for the City. Higher rates are good news for our interest revenues, but eventually can also put downward pressure on other revenues such as the real property transfer tax. Higher short-term rates often translate into increasing longer-term rates over time, which in turn result in more costly mortgage debt service.
- (14) **Recreation & Parks Garage** revenues are projected to be \$0.30 million better than budget, reflecting a two percent anticipated growth from prior-year levels.
- (15) **Rents and Concessions** revenues, including Recreation & Parks, are projected to be \$1.00 million better than budget reflecting a two percent anticipated growth from prior-year levels.
- (16) **Federal Social Service Subventions** revenues are projected to be \$0.07 million better than budget due to additional Juvenile Title IV reimbursement revenues.
- (17) **Federal Other Grants & Subventions** revenues are projected to be \$0.65 million better than budget due to higher than anticipated collections of South West Border Patrol Initiative funding.
- (18) **State Social Service Subventions** revenues are projected to be \$8.43 million under budget. A summary of all Human Services operations is included in the expenditure section below, Note #6 on page 19.
- (19) **Health & Welfare Realignment** revenue is projected to be on budget.
- (20) **Health & Mental Health Subventions** revenues are projected to be on budget.
- (21) **Public Safety Sales Tax** revenue is projected to be \$1.06 million under budget due to lower than previously assumed prior-year actuals.
- (22) **Motor Vehicle in Lieu (MVL-VLF)** revenues are projected to be \$3.05 million under budget due to lower city direct allocations from the State than previously assumed. This is more than offset by the additional backfill discussed in the Property Tax section above.
- (23) **Other Grants and Subventions** revenues are projected to be \$7.04 million better than budget due to SB90 revenues.

- (24) **Service Charges – General Government** revenues are projected to be \$0.68 million better than budget due to \$0.04 million better revenue in County Candidate Filing Fee, and \$0.64 million higher collections in City Planning Environmental Review and Building Permits.
- (25) **Service Charges - Public Safety** revenue is projected to be \$1.09 million under budget due to weakness in District Attorney, Sheriff, and Police revenues, offset by better revenue in Fire Department, and Department of Public Works:
- -\$1.04 million in Police Alarm Permit, Street Space, and DUI Emergency Response Fee;
 - -\$0.68 million in Sheriff Boarding of Prisoners;
 - -\$0.23 million in Public Works Asphalt Plant;
 - -\$0.20 million in Public Works Encroachment Assessment Fee;
 - -\$0.10 million in District Attorney Community Court Fee;
 - -\$0.06 million in Public Works Permit Phone Booth;
 - -\$0.02 million in Public Works miscellaneous fees;
 - +\$0.10 million in Fire False Alarm;
 - +\$0.50 million in Fire Building Inspection; and
 - +\$0.64 million in Public Works Street Space and Right-Of-Way Assessment.
- (26) **Recreation Charges – Rec/Park** revenues are projected to be \$0.55 million better than budget due to Naming Rights revenue not assumed in current budget.
- (27) **Service Charges – MediCal, Medicare, & Health Services** revenue is projected to be \$0.72 million better than budget. A summary of all Public Health operations is included in the expenditure section below, Note #7 on pages 20-21.
- (28) **Recoveries** are projected to be \$0.68 million under budget due to a prior-year accrual from the City College not being collected.
- (29) **Other Revenues** are projected to be \$0.10 million under budget due to City Planning Visitation Valley Grant partially unrealized.
- (30) **Transfers In – Airport.** The General Fund 15 percent share of concession revenues at San Francisco International Airport is projected to be \$0.78 million under budget, primarily due to weakness in parking and domestic concession revenues as a result of lower air traffic than was assumed in the budget.

San Francisco International Airport Enplanements (in millions)

Fiscal Year	Total	% Change	Domestic	% Change	International	% Change
FY 1999-00	20.16		16.37		3.79	
FY 2000-01	19.44	-3.6%	15.32	-6.4%	4.12	8.8%
FY 2001-02	15.53	-20.1%	11.92	-22.2%	3.61	-12.4%
FY 2002-03	14.62	-5.9%	11.25	-5.6%	3.37	-6.8%
FY 2003-04	15.40	5.3%	11.71	4.0%	3.69	9.6%
FY 2004-05	16.25	5.5%	12.32	5.2%	3.93	6.5%
Projection FY 2005-06	16.45	1.2%	12.32	0.0%	4.13	5.2%

III. Uses of Funds, Chart G

GENERAL FUND (US\$ millions)	FY 2004-05		FY 2005-06		Surplus/ (Shortfall)	
	Actuals	Original Budget	Revised Budget	Projected Year-End		
PUBLIC PROTECTION						
Adult Probation	\$ 9.35	\$ 9.81	\$ 9.88	\$ 9.88	\$ -	
Trial Courts	34.28	32.34	32.52	32.52	-	
District Attorney	23.44	25.50	26.33	26.33	-	
Emergency Communications Department	32.93	4.23	5.72	5.72	-	
Fire Department	189.91	203.70	208.92	208.92	-	1
Juvenile Probation	30.07	33.01	34.20	34.20	-	2
Public Defender	17.10	18.03	18.07	18.07	-	
Police	262.56	271.49	274.89	280.55	(5.66)	3
Sheriff	120.31	131.26	132.46	132.46	-	4
	719.96	729.36	742.99	748.65	(5.66)	
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	24.40	33.78	46.32	46.72	(0.40)	5
Economic & Workforce Development	1.38	4.54	5.67	5.67	-	
Municipal Transportation Agency	0.04	-	0.09	0.09	-	
Board of Appeals	0.45	0.54	0.54	0.54	-	
Public Utilities Commission	0.14	0.20	0.25	0.25	-	
	26.40	39.05	52.88	53.28	(0.40)	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	11.34	13.31	14.19	14.19	-	
Human Services	486.82	535.54	559.71	548.10	11.62	6
Environment	1.53	0.57	4.88	4.88	-	
Human Rights Commission	1.19	1.07	1.24	1.24	-	
County Office of Education	0.07	0.07	0.07	0.07	-	
Status of Women	2.02	2.36	2.51	2.51	-	
	502.97	552.93	582.60	570.99	11.62	
COMMUNITY HEALTH						
Public Health	413.11	431.40	462.13	461.18	0.95	7
CULTURE & RECREATION						
Asian Art Museum	5.66	6.30	6.56	6.56	-	
Arts Commission	5.70	5.92	8.05	8.05	-	
Fine Arts Museum	5.00	8.83	8.85	8.85	-	
Law Library	0.48	0.40	0.40	0.40	-	
Recreation & Parks	55.10	72.04	72.94	71.53	1.40	8
Academy of Sciences	1.67	1.70	1.70	1.70	-	
	73.60	95.21	98.51	97.10	1.40	
GENERAL ADMINISTRATION & FINANCE						
Administrative Services	32.15	38.83	38.52	38.52	-	
Assessor / Recorder	8.43	10.01	10.73	10.73	-	
Board of Supervisors	8.43	9.41	10.40	10.40	-	
City Attorney	4.99	6.91	8.16	8.16	-	
Controller	18.75	21.43	23.98	23.98	-	
City Planning	14.17	17.08	19.21	18.71	0.50	9
Civil Service Commission	0.55	0.55	0.60	0.60	-	
Ethics Commission	1.78	1.38	1.41	1.41	-	
Human Resources	16.18	12.76	14.36	14.36	-	
Health Service System	-	0.10	0.10	0.10	-	
Mayor	7.19	6.28	8.94	8.94	-	
Elections	10.32	11.08	11.12	12.53	(1.41)	10
Retirement System	0.19	0.44	1.16	1.16	-	
Telecommunications & Information Services	1.21	7.31	8.03	8.03	-	
Treasurer / Tax Collector	17.88	22.15	21.39	21.39	-	
	142.23	165.72	178.10	179.01	(0.91)	
	62.37	54.88	60.14	60.14	-	
TOTAL GENERAL FUND EXPENDITURES	1,940.64	2,068.54	2,177.36	2,170.35	7.00	
Baseline Funding to Children's Services				3.11	(3.11)	11
Baseline Funding to Library Preservation Fund	31.86	33.79	33.79	35.89	(2.10)	12
Baseline Funding to Parking & Traffic Fund	36.07	37.13	37.13	39.35	(2.22)	13
Baseline Transfer to Municipal Railway Fund	101.32	102.74	102.74	108.41	(5.68)	14
Subsidy Transfer to SF General Hospital Fund	78.25	102.60	103.03	97.41	5.62	15
Subsidy Transfer to Laguna Honda Hospital Fund	36.85	46.77	47.09	37.47	9.61	16
Transfer to All Other Special Revenue Funds	5.28	7.61	7.61	7.61	-	
Baselines & Selected Subsidy Transfers Out	289.62	330.63	331.38	329.25	2.14	
Reserves	-	29.86	46.59	46.59	-	
TOTAL GENERAL FUND USES (AAO)	\$ 2,230.26	\$ 2,429.03	\$ 2,555.32	\$ 2,546.19	\$ 9.14	

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. 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

- (1) The **Fire Department** is projected to end the year on budget. Permanent miscellaneous salary savings related principally to hiring delays of previously assumed civilian EMS staff and workers compensation cost savings are projected to be largely offset by higher uniform salary, overtime, Labor Code 4850 and natural gas costs. The projection assumes two new classes of H 3 Firefighters being hired in March for the EMS reconfiguration. Further delays from that March cycle would likely result in greater projected overtime costs for existing personnel. This projection also assumes 75 total retirements compared to the 110 assumed in the budget.

The Fire Department is working on a \$0.50 million reimbursement related to the 30 staff that assisted in the Hurricane Katrina relief efforts. This reimbursement is assumed in this projection. Fire Department revenues are also projected to be slightly better than budget by \$0.07 million as discussed previously in the revenue section.

- (2) The **Juvenile Probation Department** is projected to finish the year on budget. An estimated overall \$0.70 million surplus (mainly related to \$0.50 million in workers compensation savings, CYA placement savings and hiring delays) has been assumed to cover cost overruns in the Juvenile Hall Construction project, as proposed by the department. Staff hiring plans through year-end are expected to help reduce overtime expenditures and are assumed in this projection.
- (3) The **Police Department** is projected to end the year with a \$5.66 million appropriation deficit. Overtime is projected to exceed budget by \$7.00 million. Additionally, increased prisoner transport work order costs are assumed with the Sheriff's Department of \$0.40 million. These cost overruns are partially offsetting by workers compensation and permanent miscellaneous salary cost savings. **A supplemental appropriation will be required for this Department.**
- (4) The **Sheriff's Department** is projected to be within its appropriation budget by year-end. However, overtime is projected to be over budget due to staff vacancies as are costs related to the transport of prisoners from Police stations to the county jail. This over spending is projected to be offset by both uniform and civilian permanent salary savings. Increased work related to the transport of prisoners is reported to free up time for Police to be out on patrol. This projection assumes ten additional Deputy Sheriffs being phased-in during April and that the Department receives \$0.40 million in reimbursement from the Police Department for the current level of effort being provided for prisoner transport. On a related note for this department, the Deputy Sheriff's Association contract negotiations appear to be nearing completion, which will result in additional current year costs.

Public Works, Transportation & Neighborhood Development Departments

- (5) The **Department of Public Works** is projected to end the year with a \$0.40 million deficit because of a projected shortfall in the Gas Tax fund that we have assumed backfilled by the General Fund. To the degree Gas Tax project funding is reduced, this shortfall can be mitigated (discussed further in Appendix C on page 30).

Asphalt Plant: The asphalt plant projected shortfall is \$0.43 million and continues to be of concern to the department given that costs for the City-run facility are approximately 25 to 30 percent more expensive than buying asphalt in the private market.

Human Welfare & Neighborhood Development Departments

- (6) The **Human Services Agency** (including both Human Services and Aging & Adult Services) is projected to end the year with \$11.62 million of expenditure savings with a partially offsetting shortfall in departmental revenues of \$8.43 million. These factors combined result in a net projected departmental savings of \$3.18 million as highlighted by program in the table below.

HUMAN SERVICES	SOURCES	<i>sort order</i>		NET
		USES	NET	
US\$ Millions	Surplus/ (Shortfall)	Savings / (Shortfall)	Department Savings / (Shortfall)	
CalWorks Childcare	\$ (5.57)	\$ 6.03	\$ 0.46	
CalWorks Aid	(3.12)	2.09	(1.03)	
CAAP		2.11	2.11	
Adoption Assistance	(1.13)	1.45	0.32	
Other programs	1.39	0.26	1.65	
Workorder - Workers Comp.		(0.06)	(0.06)	
Workorder - Energy		(0.11)	(0.11)	
Workorder - Telecomm.		(0.16)	(0.16)	
Department Total - All Funds	\$ (8.43)	\$11.62	\$3.18	

Projected CalWorks childcare savings are primarily related to decreased utilization of childcare benefits by families. CalWorks aid savings is related to caseloads not increasing as projected, in fact there has been a slight decrease. Similarly, CAAP savings is related to caseloads being slightly lower than assumed in the budget, and finally, savings in adoption assistance costs are related to flat caseloads coupled with declining average costs per case. This projection does not assume any potential change associated with an increase to the City's minimum compensation ordinance.

Public Health Departments

- (7) The **Department of Public Health** is projected to have a net operating surplus of \$20.93 million. This is mainly comprised of projected expenditure savings in the General Fund and lower subsidy transfer to the hospitals due to additional patient and reimbursement revenues. For the General Fund, an expenditure savings of \$0.95 million is projected along with a revenue surplus of \$4.75 million. No appropriation shortfall is assumed for San Francisco General (SFGH) and Laguna Honda Hospital (LHH) as this **projection assumes that the department's pending patient revenue-backed supplemental increasing both SF General Hospital's and Laguna Honda Hospital's operating budgets will be approved.**

Health Department Projected Surplus/(Deficit)
Fiscal Year Ending June 30, 2006
As of January 31, 2006

<u>PUBLIC HEALTH</u>	<u>SOURCES</u>			<u>USES</u>			<u>NET</u>
	<u>Revised Budget</u>	<u>Projection</u>	<u>Surplus/ (Shortfall)</u>	<u>Revised Budget</u>	<u>Projection</u>	<u>Savings / (Shortfall)</u>	<u>Department Savings / (Shortfall)</u>
US\$ Millions							
S.F. General Hospital^	517.31	522.93	5.62	517.31	517.31	-	5.62
Laguna Honda Hospital	168.67	178.28	9.61	168.67	168.67	-	9.61
GENERAL FUND							
Primary Care	43.68	44.40	0.72	43.68	45.27	(1.59)	(0.87)
Health at Home	8.55	8.55	-	8.55	8.35	0.20	0.20
Jail Health	23.38	23.38	-	23.38	23.29	0.08	0.08
Public Health	101.73	101.73	-	101.73	101.56	0.17	0.17
Mental Health	213.02	217.06	4.03	213.02	211.24	1.79	5.82
Substance Abuse	71.77	71.77	-	71.77	71.47	0.30	0.30
Subtotal - General Fund	\$ 462.13	\$ 466.88	\$ 4.75	\$ 462.13	\$ 461.18	\$ 0.95	\$ 5.70
Department Total - All Funds^	\$ 1,148.11	\$ 1,168.09	\$ 19.98	\$ 1,148.11	\$ 1,147.15	\$ 0.95	\$ 20.93

[^] Net of SB 855 IGT Transfers

The large projected net departmental surplus is primarily related to: 1) \$13.00 million in higher MediCal base per diem rates at Laguna Honda Hospital, 2) \$4.43 million in higher net patient revenues related to census levels and improved collections from Medicare and other third party payers at SF General Hospital, and 3) the State once again reimbursing local governments for SB 90 mandated costs (projected at an additional \$4.03 million). For the first 6 months of the year, the average daily census at SF General was 290.9 compared to a budget of 276.2. That being said though, average census data does not by itself reflect the spikes in census that occur requiring additional staffing nor does it consider the difficulty in staffing down on short notice when the census declines briefly. Mandated nurse staffing ratios at the hospital require staffing be adjusted to meet the census using straight time or overtime.

As for as non-hospital operations, Primary Care's projected expenditure shortfall is related to clinic staffing shortages tied to urgent care services at the Tom Waddell Clinic. Health at Home's surplus is related to staff hiring delays, as is the surplus at Jail Health and Substance Abuse. Public Health is projected to have a surplus due to salary savings that is

partially offset by higher work order costs (natural gas and telephone). Mental Health's surplus is related to having a large number of unfilled positions.

Culture & Recreation Departments

- (8) **Recreation and Park** is projected to end the year with a \$1.40 million appropriation surplus in the General Fund. This projected surplus is mainly the result of salary and benefits savings less partially offsetting work order costs related to natural gas, workers compensation, garbage, and telephone services. The Golf Fund's projected fund balance shortfall of \$0.12 million is also assumed covered by departmental savings in the General Fund. By using a portion of its General Fund savings to cover the Golf Fund shortfall, the Department will have less budget savings reserve funding than would otherwise be the case under their Charter-mandated Recreation & Park Budget Savings Incentive Reserve (discussed previously on page 6). The Open Space and Golf Funds are discussed further in Appendix C on page 31.

General Administration & Finance Department

- (9) The **City Planning Department** is projected to have a surplus of \$0.50 million in salary and benefits due to hiring delays.
- (10) The **Department of Elections** is projected to end the year with a \$1.41 million deficit. This deficit is primarily due to \$1.24 million in projected over spending in temporary staffing costs plus an additional net over expenditure on non-personnel spending of \$0.32 million less an additional anticipated recovery of \$0.15 million from the Community College for bond election costs incurred. Non-personnel overspending is principally related to poll worker stipends, postage and systems consulting costs. **A supplemental appropriation will be required from this department.** On a related note, the Controller's Office is currently undertaking a staffing study, which is projected to be completed by mid-February 2006.

Transfers Out

- (11) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contribution to Children's Services** is projected to be \$3.11 million more than budgeted due to higher discretionary revenue levels primarily attributable to property tax, real estate transfer tax, and payroll tax revenues.
- (12) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contribution to the Library** is projected to be \$2.10 million more than budgeted due to better discretionary revenue primarily attributable to property tax, real estate transfer tax, and payroll tax revenues.
- (13) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contribution to Parking & Traffic** is projected to be \$2.22 million more than budgeted

due to better discretionary revenue primarily attributable to property tax, real estate transfer tax, and payroll tax revenues.

- (14) Pursuant to the Baseline Requirements, outlined on page 5, the **Transfer Out – Contribution to MUNI** is projected to be \$5.68 million more than budgeted due to better discretionary revenue primarily attributable to property tax, real estate transfer tax, and payroll tax revenues.
- (15) The **Transfer Out – Contribution to SFGH** is projected to be \$5.62 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 a net General Fund savings. See also Note #7 on pages 20-21 – Department of Public Health.
- (16) The **Transfer Out – Contribution to LHH** is projected to be \$9.61 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 a net General Fund savings. See also Note #7 on pages 20-21 – Department of Public Health.

Workers' Compensation Summary

Workers' compensation reforms are continuing to contribute to the projected cost savings. Overall, the City's FY 2005-06 workers' compensation costs are projected to be lower than the FY 2004-05 actuals and also significantly better the FY 2005-06 budget by \$8.38 million – a 10.5 percent savings from budgeted levels. The savings are explained by lower numbers of reported claims as well as significant reductions in medical costs. In the first half of FY 2005-06 claims costs decreased by 12 percent over the first half of the prior year. New claims filed have decreased by 13 percent from the same period last year.

Recent declines are a stark contrast to the 14.2 percent growth in FY 2003-04, the 4.3 percent growth in FY 2002-03 and the 6.2 percent growth in FY 2001-02. Previous cost increases were mainly due to medical cost inflation as well as increasing benefit payments as mandated by the State. The estimates are based on six-month actuals as well as prior-year spending patterns.

Workers Compensation (US\$ Millions)

<u>Fund/Service Area</u>	<u>FY 2004-05</u>		<u>FY 2005-06</u>		<u>% Change from PY</u>
	<u>Actual</u>	<u>Budget</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>	
<u>GENERAL FUND</u>					
Police Department	\$ 7.97	\$ 10.33	\$ 9.00	\$ 1.33	13.0%
Human Resources w/ All Other Small Depts.	7.84	3.91	3.42	0.49	-56.4%
Public Health	1.62	2.05	1.57	0.48	-3.0%
Fire Department	6.63	8.18	7.72	0.46	16.3%
Juvenile	1.19	1.50	1.05	0.45	-11.8%
Assessor/Recorder	0.19	0.25	0.15	0.10	-21.8%
Treasurer/Tax Collector	0.15	0.21	0.18	0.03	23.8%
City Attorney	0.22	0.23	0.22	0.01	2.3%
Asian Art Museum	0.02	0.02	0.02	0.00	-8.7%
Economic & Workforce Development	0.19	0.23	0.22	0.00	19.9%
Sheriff	2.11	2.69	2.74	(0.05)	29.8%
Human Services Agency (DSS & AGE)	2.42	2.35	2.40	(0.06)	-0.8%
Fine Arts Museum	0.12	0.13	0.25	(0.12)	116.4%
Recreation & Park	2.55	3.14	3.34	(0.19)	30.8%
Subtotal General Fund (GF)	33.21	35.23	32.28	2.95	-2.8%
<u>GENERAL FUND SUBSIDIZED</u>					
Community Health					
SF General Hospital	4.97	5.36	4.94	0.42	-0.7%
Laguna Honda Hospital	3.33	3.37	3.37	0.00	1.4%
Subtotal General Fund Subsidized	8.30	8.74	8.31	0.43	0.1%
Subtotal General Fund & Subsidized	41.51	43.96	40.59	3.37	-2.2%
% Change from FY 2004-05 Actuals			-2.2%		
% Change from FY 2005-06 Original Budget			-7.7%		

<u>Fund/Service Area</u>	<u>FY 2004-05</u>		<u>FY 2005-06</u>		<u>% Change from PY</u>
	<u>Actual</u>	<u>Budget</u>	<u>Current Projection</u>	<u>Surplus/ (Deficit)</u>	
<u>OTHER FUNDS</u>					
MTA - MUNI and Parking & Traffic	19.93	23.10	19.24	3.86	-3.4%
Public Utilities Commission	3.29	3.02	2.59	0.44	-21.3%
Public Works	2.95	3.26	2.32	0.94	-21.3%
Airport Commission	2.04	2.45	1.97	0.48	-3.5%
Public Library	0.70	1.03	2.07	-1.04	195.6%
War Memorial	0.36	0.44	0.41	0.03	13.9%
Police Department (Airport)	0.39	0.49	0.35	0.14	-9.3%
Telecommunications & Info Svcs	0.33	0.42	0.40	0.01	23.9%
Sheriff**	0.20	0.21	0.21	0.00	4.5%
Administration Services	0.16	0.20	0.20	0.00	22.7%
Child Support Services	0.11	0.21	0.15	0.07	38.1%
Retirement System	0.05	0.07	0.07	0.00	40.4%
Other Small Departments	1.10	1.27	1.27	0.00	15.5%
Subtotal Non-General Fund	31.80	36.17	31.25	5.01	-1.7%
GRAND TOTAL ***	73.31	80.13	71.83	8.38	-2.0%
% Change from FY 2004-05 Actuals			-2.0%		
% Change from FY 2005-06 Original Budget			-10.5%		

Energy – Natural Gas

While higher natural gas prices helped on the sources or revenue-side of the budget through higher projected utility users tax and franchise tax revenues, it also results in higher heating costs for a number of City facilities. This adversely impacts departments who are larger users of natural gas, including General Fund Supported departments like Public Health and the City Museums. The expenditure projections included in this report reflect the impact for affected departments. Absent an appreciable decline in commodity prices during the second half of FY 2005-06, General Fund Supported departments are projected to be \$4.03 million over budget due mainly to higher natural gas costs. This compares to \$3.83 million in additional utility users tax revenues and \$0.75 million in additional franchise tax revenues.

Energy Costs – Variance from Budget (US\$ Millions)

<u>GENERAL FUND</u>	Power	Gas	Steam	Variance from Budget
Public Health	\$ (0.00)	\$ (0.06)	\$ 0.00	\$ (0.06)
Recreation & Parks	(0.02)	(0.44)	0.00	(0.46)
Fine Arts Museums	(0.08)	(0.10)	0.00	(0.19)
Sheriff	0.00	(0.15)	0.00	(0.15)
War Memorial	(0.00)	(0.12)	0.00	(0.12)
Real Estate Department	(0.01)	(0.04)	0.00	(0.04)
Human Services	(0.00)	(0.11)	0.00	(0.11)
Fire Department	(0.00)	(0.11)	0.00	(0.11)
Asian Art Museum	0.00	(0.03)	0.00	(0.02)
Police Department	0.01	(0.06)	0.00	(0.06)
Juvenile Probation	0.00	(0.09)	0.00	(0.08)
Other Departments	0.04	(1.51)	0.02	(1.45)
Total General Fund	(0.07)	(2.80)	0.02	(2.85)
<u>GENERAL FUND SUBSIDIZED</u>				
Non General Fund				
Laguna Honda Hospital	0.00	(0.32)	0.00	(0.32)
SF General Hospital	0.00	(0.85)	0.00	(0.85)
Subtotal General Fund Subsidized	0.00	(1.17)	0.00	(1.17)
Subtotal General Fund & Subsidized	(0.07)	(3.98)	0.02	(4.03)
<u>OTHER FUNDS</u>				
Municipal Railway	0.05	(0.17)	-	(0.12)
Public Library	(0.00)	(0.03)	0.00	(0.03)
Other Departments	(1.25)	0.32	0.01	(0.92)
Subtotal Non-General Fund	(1.20)	0.12	0.01	(1.07)
GRAND TOTAL	\$ (1.27)	\$ (3.85)	\$ 0.03	\$ (5.10)

Overtime Costs

Overtime is projected to be over budget by approximately \$41 million. The table below includes an overtime summary by key user department. Two projection methodologies are included: 1) straight-line and 2) 'adjusted' (that latter adjusting 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 all overtime spending in the City.

Overtime Costs (US\$ Millions)

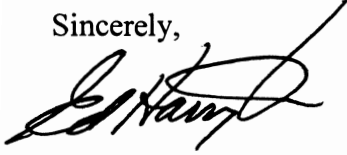
Fund/Service Area	FY 2004-05	FY 2005-06				
	Actual	Revised Budget*	STRAIGHT LINE		ADJUSTED	
			Projection*	Surplus / (Shortfall)	Projection	Surplus / (Shortfall)
MTA						
Municipal Railway	\$ 29.06	\$ 18.67	\$ 37.61	\$ (18.95)	\$ 31.77	\$ (13.10)
Parking & Traffic	0.71	0.81	1.39	(0.58)	1.66	(0.85)
Subtotal - MTA	29.76	19.48	39.01	(19.53)	33.43	(13.95)
Police						
General Fund Operations	12.74	10.50	19.79	(9.29)	17.50	(7.00)
Special Law Enforcement Svcs (10B)*	7.28	11.78	11.78	-	11.78	-
Grants & Other Non-10B Special Revenue	5.12	2.75	2.75	(0.00)	2.75	-
Airport	1.72	2.84	1.94	0.90	1.94	0.90
Subtotal - Police	26.86	27.88	36.26	(8.38)	33.98	(6.10)
Public Health						
All Other Non-Hospital Operations	0.68	0.77	0.69	0.07	0.69	0.07
SF General	6.59	3.93	6.31	(2.38)	6.31	(2.38)
Laguna Honda Hospital	4.92	0.24	6.89	(6.66)	6.89	(6.66)
Subtotal - Public Health	12.19	4.93	13.90	(8.96)	13.90	(8.96)
Fire						
General Fund Operations	5.56	6.92	8.02	(1.10)	7.62	(0.70)
Grants & Other Special Revenues	0.85	1.68	2.02	(0.34)	1.68	-
Airport	1.39	1.51	1.81	(0.30)	1.81	(0.30)
Port	0.20	0.34	0.18	0.16	0.18	0.16
Subtotal - Fire	8.00	10.45	12.04	(1.58)	11.29	(0.84)
Sheriff	6.59	4.73	10.86	(6.13)	9.43	(4.70)
PUC	6.06	2.26	6.91	(4.65)	6.91	(4.65)
Subtotal - Big 6	89.47	69.73	118.97	(49.23)	108.93	(39.20)
Juvenile Probation	1.18	1.17	1.33	(0.16)	1.22	(0.05)
Recreation & Park	0.88	0.80	2.35	(1.56)	2.15	(1.36)
All Other Departments	8.51	12.45	13.04	(0.59)	13.04	(0.59)
Total	\$ 100.04	\$ 84.14	\$ 135.68	\$ (51.54)	\$ 125.34	\$ (41.20)
Big 6 % of Total	89.4%	82.9%	87.7%	95.5%	86.9%	95.2%
Change from Prior Year	\$ 6.46	\$ (15.90)	\$ 35.64		\$ 25.30	
Change from FY 2000-01 Peak	\$ (12.42)	\$ (28.32)	\$ 23.22		\$ 12.88	
Total Gross Salaries	\$ 2,039.82	\$ 2,127.43	\$ 2,127.43		\$ 2,127.43	
Overtime as a % of Total Gross	4.9%	4.0%	6.4%		5.9%	

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

IV. 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 \$137.31 million. My staff and I are available to respond to any comments or questions you may have at this time. We will update all current year revenue and expenditure projections during the upcoming Nine-Month Report, which will be released in late-April.

Sincerely,



ED HARRINGTON
Controller

Attachments: Appendix A: Status of Supplemental Appropriations
Appendix B: Status of Board Reserves
Appendix C: Other Fund Highlights

cc: Department Heads
Noelle Simmons, Mayor's Budget Office
Harvey Rose, Budget Analyst

**APPENDIX A: Status of Supplemental Appropriations
FY 2005-06
As of January 31, 2006**

<u>GENERAL FUND SUPPORTED SUPPLEMENTALS</u>	<u>APPROVED CHANGES</u>	<u>PENDING / POTENTIAL CHANGES</u>	<u>USING GENERAL RESERVE</u>
<u>Approved Supplementals</u>			
BOS - Contract for Budget Analyst Audit of Office of Emergency Services	\$ 179,385		\$ -
Total Changes Approved	<u>\$ 179,385</u>		<u>\$ -</u>
<u>Supplementals Pending at the Board - New or Enhanced Programs</u>			
MYR - Reappropriation of pay for Treasure Island Development Authority Director		\$ 240,000	\$ -
MYR - Real Ownership Opportunities for Tenants		1,500,000	1,500,000
FIR - Retrofitting of Hydrant Adapter Caps		800,000	800,000
CHF - Loan to San Francisco Unified School District to Delay School Closings		5,259,000	5,259,000
Total Supplementals Pending at the Board - None Assumed Approved in 6-Month Projection		<u>\$ 7,799,000</u>	<u>\$ 7,559,000</u>
<u>Additional Anticipated Supplementals</u>			
DPH - Additional funding for Hospitals, Backed by Patient Revenues		\$ 15,205,000	\$ -
POL - Additional funding for Uniform Personnel Costs		5,660,000	5,660,000
REG - Additional funding for June 2006 Election Costs		1,410,000	1,410,000
Total Additional Anticipated Supplementals - All Assumed Approved in 6-Month Projection		<u>\$ 22,275,000</u>	<u>\$ 7,070,000</u>
<u>NON-GENERAL FUND SUPPORTED SUPPLEMENTALS</u>	<u>APPROVED CHANGES</u>	<u>PENDING / POTENTIAL CHANGES</u>	
<u>Approved Supplementals</u>			
DPW - GO Bond 2005A Series and 2005I Series	\$ 108,328,014		
AIR - De-appropriation of Capital for San Francisco International Airport	(287,977,266)		
AIR - Re-appropriation of Capital for San Francisco International Airport	243,723,524		
Total Changes Approved	<u>\$ 64,074,272</u>		
<u>Supplementals Pending at the Board</u>			
DPW - State Traffic Congestion Relief Funds		5,216,754	
AIR - De-appropriation of Capital for San Francisco International Airport		(16,342,714)	
AIR - Re-appropriation of Capital for San Francisco International Airport		16,342,714	
Total Supplementals Pending		<u>\$ 5,216,754</u>	
<u>Additional Anticipated Supplementals</u>			
DPW - Juvenile Hall Replacement Project		\$ 6,565,462	
PUC - PG&E Litigation Cost		4,100,000	
PUC - WSIP Water System Improvement Program		TBD	
Total Additional Anticipated Supplementals		<u>\$ 10,665,462</u>	

**APPENDIX B: Status of Reserves
As of January 31, 2006**

Department	Reserve Description & Follow-Up Action Required	Total Appropriation Reserve	Released	Remaining Balance
X CHF--Children, Youth & Their Families--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 131,250	\$ 131,250	\$ -
X CHF--Children, Youth & Their Families--Proposition H Advance to Unified School District	Pending Detailed Spending Plan from Unified School District or Department	\$ 13,333,334	\$ 1,100,000	\$ 12,233,334
X CON--Controller--Proposition C, City Services Auditor Salaries	Pending City Services Auditor Hiring Plan	\$ 392,193		\$ 392,193
CPC--City Planning--Long Range Planning Surcharge	Pending Fee Legislation Adoption by Board (revenue growth certification)	\$ 800,000	\$ 800,000	\$ -
CPC--City Planning--Visitation Valley Redevelopment Survey Study	Pending Submittal of Work Plan and Detailed Budget	\$ 200,000		\$ 200,000
CRT--Trial Courts--Hall of Justice Replacement Feasibility Study	Pending Approval by the State Administrative Office of the Courts	\$ 1,000,000		\$ 1,000,000
X DPH--Public Health--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 63,489		\$ 63,489
X DPH--Public Health--AIDS/HIV Augmentation	Pending Approval of Detailed Spending Plan	\$ 1,000,000		\$ 1,000,000
X DSS--Human Services--West Bay Filipino Multi-Service Center	Pending Corrective Action and Controller Audit Recommendation Implementation	\$ 85,387	\$ 85,387	\$ -
X DSS--Human Services--Senior Services and Long-Term Care	Pending Approval of Detailed Spending Plan	\$ 3,250,000		\$ 3,250,000
X DSS--Human Services--Human Services Care Funding	Pending Approval of Detailed Spending Plan	\$ 2,167,477		\$ 2,167,477
X ECD--Emergency Communications--Urban Areas Security Initiative (UASI) Grant	Pending Submission of Justification and Detailed Budget to the Board	\$ 11,168,001		\$ 11,168,001
X ENV--Environment--Rents and Leases, Civic Center Consolidation	Pending Timeline Report for Move to 25 Van Ness	\$ 14,893		\$ 14,893
X ENV--Environment--Rents and Leases, Civic Center Consolidation	Pending Timeline Report for Move to 25 Van Ness	\$ 22,340		\$ 22,340
X FIR--Fire--Overtime	Pending Report Regarding Budget Analyst Absenteeism Recommendations	\$ 684,471		\$ 684,471
X GSA-TIS--Telecommunication & Information Services--Cable Franchise Negotiation	Pending Start Timeframe for New Franchise Agreement	\$ 250,000		\$ 250,000
X HRD--Human Resources--Classification Study	Pending Submission of Justification and Detailed Budget to the Board	\$ 150,000		\$ 150,000
X JUV--Juvenile Probation--Overtime	Pending Report Regarding Budget Analyst Absenteeism Recommendations	\$ 108,339		\$ 108,339
POL--Police--Cost Recovery for Street Fairs	Pending Fee Legislation Adoption by Board	\$ 180,000		\$ 180,000
X PUC--Public Utilities Commission--Salaries and Benefits	Pending Report on Budget Analyst Management Audit Recommendations	\$ 17,759,421	\$ 17,759,421	\$ -
X PUC--Public Utilities Commission--Southeast Plant Dewatering Facility	Pending Proceeds from Sale of Bonds	\$ 31,420,000		\$ 31,420,000
X PUC--Public Utilities Commission--Solar Power Project	Pending Proceeds from Sale of Certificates of Participation (COPs)	\$ 12,500,000	\$ 12,500,000	\$ -
X SHF--Sheriff--Overtime	Pending Report on the Implementation of Budget Analyst Recommendations	\$ 419,225		\$ 419,225
X TTX--Treasurer / Tax Collector--Collections Improvement Project	Pending Detailed Revenue and Expenditure Information	\$ 400,000		\$ 400,000
Total Appropriation Reserves		\$ 97,499,820	\$ 32,376,058	\$ 65,123,762
General Fund Supported		\$ 10,165,474	\$ 885,387	\$ 9,280,087
All Other Funds		\$ 87,334,346	\$ 31,490,671	\$ 55,843,675

X = Indicates Board of Supervisor's Financial Committee Reserve

APPENDIX C: Other Fund Highlights

	Prior-Year Fund Balance Surplus / (Shortfall)	Current Year			Estimated Year-end Fund Balance
		Sources Better / (Lower) than Budget	Uses Savings / (Shortfall) from Budget	Net Operating Surplus / (Deficit)	
Other Funds	\$ million	\$ million	\$ million	\$ million	\$ million
<u>Special Revenue Fund</u>					
911 Fund	\$2.13	\$2.48	\$0.00	\$2.48	\$4.61
Building Inspection Operating Fund	\$0.77	\$5.68	\$3.00	\$8.68	\$9.45
Children's Fund	\$0.28	\$2.77	\$0.00	\$2.77	\$3.05
Convention Facilities Fund	\$1.60	\$0.00	\$0.00	\$0.00	\$1.60
Gas Tax Fund **	\$0.00	(\$0.40)	\$0.00	(\$0.40)	(\$0.40)
Golf Fund **	\$0.33	(\$0.15)	(\$0.30)	(\$0.45)	(\$0.12)
Library Preservation Fund	\$6.40	\$5.42	\$0.30	\$5.72	\$12.12
Neighborhood Beautification Fund	\$0.00	\$0.02	\$0.00	\$0.02	\$0.02
Open Space Fund	\$1.81	\$2.70	\$0.00	\$2.70	\$4.51
<u>Enterprise Fund</u>					
Airport Operating Fund	\$96.83	(\$1.80)	\$11.30	\$9.50	\$106.33
MTA – MUNI Operating Fund	(\$1.43)	\$7.14	\$0.00	\$7.14	\$5.71
MTA – Parking & Traffic Operating Fund	\$8.26	\$2.39	\$0.00	\$2.39	\$10.65
Port Operating Fund	\$10.48	\$3.46	\$1.67	\$5.13	\$15.61
PUC – Hetch Hetchy Operating Fund	\$31.85	\$22.51	(\$4.10)	\$18.41	\$50.26
PUC – Wastewater Operating Fund	\$16.32	(\$3.85)	\$2.66	(\$1.19)	\$15.13
PUC – Water Operating Fund	\$42.31	(\$3.90)	\$4.84	\$0.94	\$43.25

Shortfalls are assumed to be backfilled by department savings in the General Fund as discussed previously.

APPENDIX C: Other Fund Highlights (continued)

Notes Other Funds Description

Special Revenue Fund

- (1) **911 Fund** The 911 Fund started the current year with an additional \$2.13 M over and above the \$1.50 M appropriated in the budget. Additionally, 911 fee revenues are projected to be \$1.90 M better than budget as are interest earnings projected to be \$0.60 M better than budget. This positive news is slightly offset by miscellaneous fee revenue shortfalls of \$0.02 M. Expenditures are on track overall; however, the department is exceeding its overtime budget by \$1.30 M with offsetting savings in permanent salary expenditures due to higher attrition savings. Staff retention and recruitment for call takers and dispatchers continue to be one of the department's main operating concerns. Once additional staff completes two training classes, they are projected to reduce permanent salary savings as well as overtime costs. Overall, the department will be within its appropriation budget by year-end. The 911 Fund is projected to have a \$2.48 M net current year operating surplus, which then results in a projected year-end fund balance to \$4.61 M that will be available for use in the subsequent budget year.
- (2) **Building Inspection Operating Fund** The Building Inspection Fund started current year with an additional \$0.77 M over and above the \$6.53 M appropriated in the budget. Additionally, current year revenues are projected to be \$5.68 M better than budget due primarily to higher Plan Checking and Code Enforcement revenues, as well as some backlog reductions. Expenditure savings of \$3.00 M are projected, which are related to salary savings, as a number of vacant positions are not expected to be filled until March 1. This fund is projected to have an \$8.68 M net operating surplus, resulting in a \$9.45 M projected year-end fund balance.
- (3) **Children's Fund** The Children's Fund started current year with an additional \$0.28 M in fund balance over and above the \$2.58 M appropriated in the budget. Additionally, sources are projected to be \$2.77 M better than budget primarily due to higher property tax revenues. Expenditures are projected to be on budget resulting in a \$2.77 M net operating surplus and a \$3.05 M estimated year-end fund balance.
- (4) **Convention Facilities Fund** The Convention Facilities Fund began current year with \$1.60 M additional fund balance. Additionally, expenditures are expected to be within its appropriation budget, resulting in a \$1.60 M projected year-end fund balance.
- (5) **Gas Tax Fund** The Gas Tax fund is projected to have \$0.40 M in revenue shortfall related to Pavement Mitigation Fees from PG&E and Comcast due to the Court of Appeals decision finding that the City could not charge this fee to companies otherwise subject to a franchise fee. This results in a net operating deficit and an estimated negative fund balance of \$0.40 M. This shortfall is assumed to be covered by the General Fund and reflected in the Public Works General Fund shortfall.

Notes Other Funds Description

- (6) **Golf Fund** The Golf Fund started current year with an additional \$0.33 M in fund balance over and above the \$0.12 M already appropriated in the budget. However, revenue weakness is projected to be \$0.15 M due to course closures from rain and flooding. Additionally, higher expenditures are projected of \$0.38 M related to higher interest costs on the Open Space loan with slightly offsetting other miscellaneous savings of \$0.08 M. While this interest cost news negatively impacts the Golf Fund, it positively impacts the Open Space Fund. This shortfall is assumed to be covered by the General Fund in Recreation and Park, which then reduces that department's potential savings incentive reserve that it could otherwise spend. This fund is projected a \$0.45 M net operating deficit and resulting in an estimated negative fund balance of \$0.12 M by fiscal year-end, which is assumed to be backfilled by Recreation & Park's General Fund savings.
- (7) **Library Preservation Fund** The Public Library began current year with \$6.40 M additional fund balance over and above the \$1.05 M appropriated in the budget. Additionally, current year sources are projected to be \$5.42 M better as a result of higher baselines funding of \$2.10 M from current year and \$1.00 M from prior year, as well as \$2.32 M in higher property tax revenues. Expenditures are projected to show savings of \$0.30 M resulting from salary savings less a partially offsetting increase in workers compensation costs. This fund is projected to have a \$5.72 M net operating surplus and a \$12.12 M estimated fund balance by fiscal year-end.
- (8) **Neighborhood Beautification Fund** Payroll Tax revenues are projected to be \$0.02 M better than budget, while expenditures are projected to be on budget; resulting in both a \$0.02 M net operating surplus and estimated fund balance by fiscal year-end.
- (9) **Open Space Fund** The Open Space Fund ended prior year with \$3.16 M fund balance of which \$1.35 M was appropriated in the current-year budget, leaving a prior-year fund balance surplus of \$1.81 M. Additionally, the current year's property tax revenues are projected to be \$2.32 M better than budget along with \$0.38 M in higher loan repayments from the Golf Fund (Discussed further in the Golf Fund section). On the expenditure side, the Open Space Fund is projected to end the year at budget. This fund is projected to have a \$2.70 M current-year net operating surplus and a \$4.51 M projected fund balance by fiscal year-end.

Enterprise Fund

- (10) **Airport Operating Fund** The Airport Operating Fund ended prior year with additional \$96.83 M over and above the \$6.08 M appropriated in the budget. However, revenues are projected \$1.80 M lower than budget due to both aviation and non-aviation revenues (including parking & concessions). Additionally, air passenger enplanements and airline landed weight have been lower than assumed in the budget. This fee revenue shortfall is more than offset by higher than anticipated interest income earnings and \$11.30 M in projected expenditure savings primarily related to personnel cost savings. The result is a projected net operating surplus of \$9.50 M and an estimated fund balance of \$106.33 M by fiscal year-end.

Notes Other Funds Description

- (11) **MTA-MUNI Operating Fund** The Municipal Railway Operating Fund ended prior year with \$8.76 M fund balance, \$1.43 M less than the \$10.19 M assumed in the budget. Current year sources are projected to be \$7.14 M better than budget due to: 1) \$5.68 M from additional FY 2005-06 baseline funding, 2) \$2.98 M from additional FY 2004-05 baseline funding, and 3) a partially offsetting operating revenue net shortfall of \$1.52 M. The operating revenue shortfall is related to weakness of \$0.71 M in Parking Fines, \$0.51 M in Transit Advertising, \$0.47 M in Garage Revenues, \$0.24 M in Passenger Fares, \$0.22 M in Property Rental, \$0.06 M in Parking Tax, along with better revenue of \$0.70 M in Cable Car revenues. While expenditures are projected to be on budget overall, the department is on track to overspend their overtime budget by \$13.10 M assuming their moratorium on overtime spending which was implemented January 1, 2006 is imposed through year-end. The department also is projected to have \$7.60 M in savings in permanent salaries along with \$3.00 M in professional contract savings, \$3.00 M savings in workers' compensation savings, and a small utility shortfall. This fund is projected a net operating surplus of \$7.14 M, which will result in a projected \$5.71 M fiscal year-end balance.
- (12) **MTA-Parking & Traffic Operating Fund** The Parking & Traffic Operating Fund began current year with \$8.26 M fund balance. Current year sources are projected to be \$2.39 M better than budget due to: 1) \$2.22 M from additional FY 2005-06 baseline funding, 2) \$1.06 M from additional FY 2004-05 baseline funding, and 3) a partially offsetting operating revenue net shortfall of \$0.89 M. Operating revenue performance is related to weakness of \$0.80 M in Parking Meters, \$0.27 M in License & Permits, \$0.04 M in Fines, along with better revenue of \$0.23 M in Garages. Expenditures are projected to be on budget overall. While higher than anticipated attrition is expected to generate \$1.20 M salary savings, overtime spending is largely offsetting this savings. The department reports that some 30 positions are out on long-term leave, which is impacting overtime costs. Additionally, the department reports that the temporary salary shortfall of \$0.35M is the result of additional staffing at the Citation Processing Unit to resolve long wait times and a backlog in processing mail-in citations, residential parking permits and responding to general customer inquiries. The purchase of a queue-matic system that monitors wait times, and allows for a more orderly cueing process should permanently address this issue. This fund is projected to have a net operating surplus of \$2.39 M and an estimated fund balance of \$10.65 M by fiscal year-end.
- (13) **Port Operating Fund** The Port Operating Fund began current year with additional \$10.48 M over and above the \$12.39 M appropriated in the budget. Additionally, projected revenues in Maritime, Ship Repair, Cruise, and Parking are better than budget; offset by shortfalls in Fishing and Fines for a net additional revenue of \$3.46 M. Furthermore, approximately \$1.67 M of expenditure savings is projected from both salary savings and lower use of work orders, for a net current year operating surplus of \$5.13 M, resulting in an estimated fund balance of \$15.61 M by fiscal year-end.

Notes Other Funds Description

- (14) **PUC-Hetch Hetchy Operating Fund** The Hetch Hetchy Operating Fund started current year with an additional \$31.85 M over and above the \$28.24 M appropriation in the budget. Additionally, current year revenues are projected to be \$22.51 M better than budget as a result of heavy rains allowing for greater power production and the strong resale market for power. Expenditures are projected to be over budget by \$4.10 M due to unexpected litigation costs. A supplemental appropriation request has been submitted to the Controller and Mayor's Budget Office. Overall, the resulting net operating surplus of \$18.41 M is projected, with a resulting estimated fund balance of \$50.26 M by fiscal year-end.
- (15) **PUC-Wastewater Operating Fund** The Wastewater Operating Fund began current year with a \$16.32 M fund balance and none was appropriated in current-year budget. Current-year revenues are projected to be \$3.85 M under budget due mainly to lower consumption and associated lower sewer service charges. This is offset by a projected savings of \$2.66 M primarily attributable to salary savings due to hiring delays for a resulting net current-year operating deficit of \$1.19 M and an estimated fund balance of \$15.13 M by fiscal year-end.
- (16) **PUC-Water Operating Fund** The Water Operating Fund began current year with additional \$42.31 M over and above \$21.87 M appropriated in the budget. Current-year revenues are projected to be \$3.90 M under budget due mainly to lower wholesale water sales revenue than assumed in the budget. This is offset by a projected savings of \$4.84 M primarily attributable to salary savings from operations staff savings related to delays in hiring. The net current-year operating surplus is projected to be \$0.94 M and results in an estimated fund balance of \$43.25 M by fiscal year-end.

APPENDIX F

THREE-YEAR GENERAL FUND BUDGET PROJECTION, FY 2006-07 THROUGH FY 2008-09

(Please go to the following URL for the City's Three-Year Budget Projection for General Fund Supported Operations for FY 2006-07 through FY 2008-09:

http://www.sfgov.org/site/uploadedfiles/controller/budget_information/3year/08-09.pdf)



OFFICE OF THE CONTROLLER

March 15, 2006

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 2006-07 through FY 2008-09**

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 2006-07 through FY 2008-09 as follows.

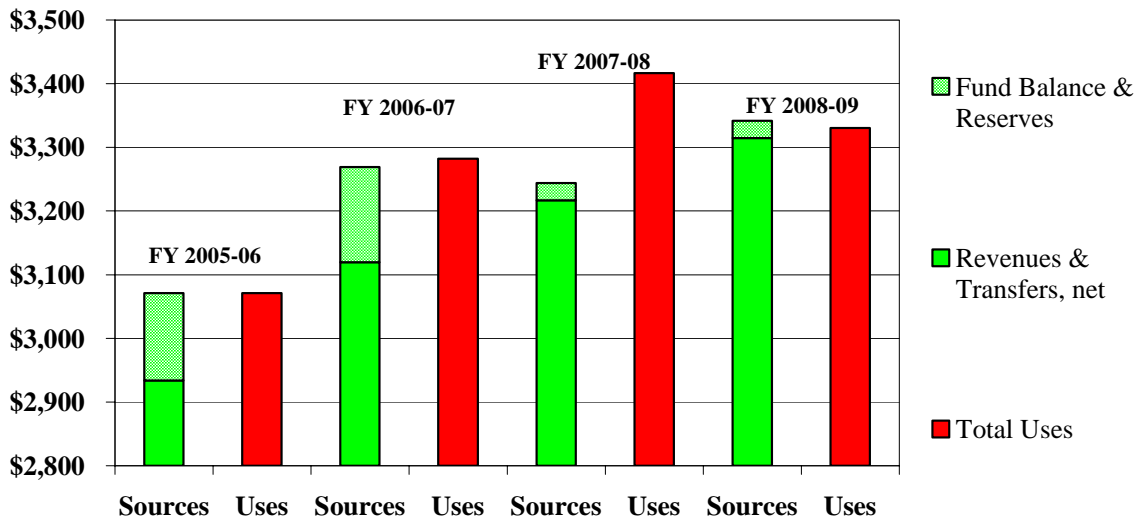
General Fund Supported Operations, Millions	FY 2006-07	FY 2007-08	FY 2008-09
Projected Surplus / (Shortfall)	\$ (12.5)	\$ (172.8)	\$ 11.4

Table A on the following page highlights the projected budgetary surpluses and shortfalls over the next three years. **The projected budget shortfall is \$12.5 million for FY 2006-07**, which is a level considerably lower than past years in large part due to strong revenue growth. **The projected shortfall of \$12.5 million assumes use of the entire \$137.3 million currently projected FY 2005-06 year-end fund balance. The \$137.3 million assumes that three supplemental appropriations will be adopted: (a) Police overspending in the amount of \$5.66 million; (b) Elections in the amount of \$1.41 million; and, (c) SF General Hospital and Laguna Honda Hospital which is backed by MediCal and Patient Revenues and does not require General Fund Support. To the degree any additional supplemental appropriations are approved between now and year-end, the projected shortfall of \$12.5 million will grow commensurately.**

For FY 2007-08, a shortfall of \$172.8 million is projected. This is largely the result of the assumed use of all available fund balances during FY 2006-07. Then, assuming that the FY 2007-08 shortfall of \$172.8 million is bridged with on-going solutions, FY 2008-09 is

projected to have an \$11.4 million surplus. **While some fiscal year periods may reflect either projected surpluses or shortfalls 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. The following table provides a comparison of sources and uses for the current year and the projection for the next three years.

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



GENERAL FUND SUPPORTED OPERATIONS	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Fund Balance - General Fund	\$ 118.0	\$ 137.3	\$ 25.0	\$ 25.0
Fund Balance - Other GFS Funds	7.6	0.8	-	-
Reserves	11.6	11.6	2.0	2.0
Revenues & Transfers, net	2,934.0	3,119.7	3,216.9	3,314.8
Total Sources	\$ 3,071.2	\$ 3,269.4	\$ 3,243.9	\$ 3,341.8
<i>% Change from Prior Year</i>		<i>6.5%</i>	<i>-0.8%</i>	<i>3.0%</i>
Personnel - Salaries & Fringes	1,628.9	1,740.5	1,800.3	1,849.1
All Other Non-Personnel Costs	1,442.2	1,541.4	1,628.9	1,666.6
Required Budget Balancing from Prior Year			(12.5)	(185.3)
Total Uses	\$ 3,071.2	\$ 3,281.9	\$ 3,416.7	\$ 3,330.5
<i>% Change from Prior Year</i>		<i>6.9%</i>	<i>4.1%</i>	<i>-2.5%</i>
Projected Surplus / (Shortfall)	\$ -	\$ (12.5)	\$ (172.8)	\$ 11.4
<i>as % of Total Uses</i>		<i>-0.4%</i>	<i>-5.1%</i>	<i>0.3%</i>

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. 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

- For employees covered by labor Memoranda of Understanding (MOU) that are set to expire on June 30, 2006, we have assumed:

Beginning in FY 2006-07, the City will resume full pick-up of the 7.5 percent employee retirement contribution for miscellaneous employees. **No salary increases, except for the annualization of increases granted in FY 2005-06, which result in increased salary costs of 2.40 to 4.40 percent depending on the labor contract, will be provided.** The combined average total compensation cost increase, including salary and city pick-up of employee retirement contribution, is 9.4 to 9.9 percent for open MOUs in FY 2006-07. Additional compensation increases granted over and above this 9.4 to 9.9 percent total compensation increase would correspondingly increase projected revenue shortfalls in FY 2006-07. For the next two years, wage increases are assumed to be equal to projected inflation of 2.1 and 1.6 percent respectively.

If an additional compensation increases equal to the level of inflation projected for the San Francisco Bay Area were to occur for FY 2006-07, the shortfall would increase by \$15.7 million in FY 2006-07. As in the past, the inflation projections, which are an estimated 1.7 percent, are from the California Department of Finance and are consistent with those assumed in the Governor's Proposed State budget for the San Francisco Bay Area. Our Joint Report acknowledges that any compensation increase in future fiscal years will be determined ultimately through the collective bargaining process.

- For employees covered by currently closed MOUs (including Police, Fire, and the Deputy Sheriffs Association), our projection includes current (and proposed, for the Deputy Sheriffs Association) labor MOU provisions.
- The Charter-mandated employer-share retirement contribution rate will decrease from 6.58 percent in FY 2005-06 to 6.24 percent in FY 2006-07 for Miscellaneous, Police and Fire employees. Cost savings related to the change in mandatory employer retirement contribution rates are projected to be \$3.6 million in FY 2006-07, followed by projected savings of \$2.6 million and \$2.1 million in FY 2007-08 and FY 2008-09 respectively. The CalPERS retirement contribution rate is also set to decrease slightly in FY 2006-07 (going from 20.850 percent to 18.824 percent) for covered public safety personnel, resulting in projected savings of \$1.5 million in FY 2006-07, followed by projected savings of \$0.1 million in FY 2007-08 and level costs 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 increases costs of \$13.9, \$17.4 and \$13.6 million for FY 2006-07, FY 2007-08, and FY 2008-09 respectively. These increases are tied to inflationary increases of 1.7, 2.1 and 1.6 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 continuation of property tax shifts implemented in prior years for the Educational Revenue Augmentation Fund (ERAF I and ERAF II) of \$264.3 million annually, the expiration of the ERAF III shift which would yield increased property tax revenues for the City of \$25.2 million in FY 2006-07, and net increased funding allocations of \$0.9 million in FY 2006-07. The Governor's Proposed State budget changes, which will impact San Francisco, are summarized on page 18.
- We do not assume a General Fund backfill of any Federal funding reductions for various grant programs such as Homeland Security Urban Area Safety Initiative (UASI), Community Development Block Grant and Ryan White AIDS programs.

**Table B: Three-Year Summary for General Fund Supported Operations
 Projected Impact of Key Changes in Sources & Uses, in millions**

	FY 2006-07	FY 2007-08	FY 2008-09
TOTAL BEGINNING SOURCES	\$ 3,071.2	\$ 3,269.4	\$ 3,243.9
<u>Change in Fund Balance & Prior-Year Reserves</u>			
Fund Balance & Prior-Year Reserve	12.5	(122.6)	0.0
<u>Change in Revenues, Transfers In, State Budget Shifts & Redevelopment</u>			
General Tax, Recurring Revenue & Transfer In Sources	\$211.7	\$103.7	\$102.7
Elimination of VLF One-Time 'Loan' Repayment in FY 2006-07	(\$29.7)	\$0.0	\$0.0
State Additional Portion of Property Taxes, ERAF III	\$25.2	\$0.0	\$0.0
Other One-Time Revenues & Transfers In	(\$17.9)	\$0.0	\$0.0
Redevelopment Property Tax Increment, net General Fund impact	(\$3.5)	(\$6.5)	(\$4.8)
Subtotal, Revenues & Transfers In	185.8	97.2	97.9
TOTAL ENDING SOURCES	3,269.4	3,243.9	3,341.8
TOTAL BEGINNING USES (uses shown as negatives)	\$ (3,071.2)	\$ (3,269.4)	\$ (3,243.9)
<u>Salary & Benefit Cost Savings / (Increases)</u>	(1,628.9)	(1,740.5)	(1,800.3)
Annualization of Partial-Year Position Funding	(5.6)		
Change in Work Days	1.4	(2.7)	1.4
MOU Costs, Prior-Year Annualizations of Increases, Salary & Fringes	(39.8)		
MOU Costs, Closed Public Safety Salary & Fringe Costs	(21.0)	(6.2)	(3.9)
MOU Costs, Open - Wage & Fringe Increases of 0%, 2.1% & 1.6%	0.0	(26.8)	(21.0)
MOU Costs - 7.5% Employer Pick-Up of Required Employee Contribution	(35.1)		
Health & Dental Benefits	(15.3)	(26.8)	(27.4)
Pension Savings from Contribution Rate Changes	5.1	2.7	2.1
Unemployment Insurance, Social Security & Flexible Benefit Program Benefits	(1.3)		
Salaries and Benefits Cost Savings / (Increases)	(111.6)	(59.8)	(48.8)
Subtotal - Salaries and Benefits Costs	(1,740.5)	(1,800.3)	(1,849.1)
<u>Non-Personnel Cost Savings / (Increases)</u>	(1,442.2)	(1,541.4)	(1,628.9)
Baseline & Other Mandated Spending Requirements	(8.1)	(35.5)	(27.2)
Capital, Facilities Maintenance & Equipment	0.0	0.0	0.0
CPI Inflation on Materials & Supplies and Contracts at CPI of 1.7%, 2.1%, 1.6%	(13.9)	(17.4)	(13.6)
Debt Service & Lease Financing Costs (\$8M equipment lease program per year)	(3.3)	(0.2)	0.5
Litigation & Claims (Assumed Average Level of \$11M)	(4.0)	0.0	0.0
One-Time Costs Removed from Base, net	4.6		
Utility Costs - Electricity, Natural Gas, Steam, Water, Sewer & Garbage Costs	(5.0)	(1.0)	(0.8)
Worker's Compensation	0.2	(1.8)	(1.8)
Departments & Commissions			
Administrative Services - Convention Facilities	0.8	(2.2)	(1.2)
Elections Department - Staffing	2.0	(3.5)	3.5
Ethics - Public Financing of Supervisorial & Mayoral Elections	(6.9)	5.4	(1.4)
Fire - Facilities Staffing Requirement (Prop F, 11/2005)	(8.4)		
General Services Agency - 311 Project	(8.3)		4.6
Human Resources - Collective Bargaining Costs	1.4	0.5	(2.0)
Human Services - Subtotal of All Program Costs	0.1	(1.3)	(2.3)
Museums - New Facility & Annualization	(0.5)	(1.1)	(0.2)
Police - Subtotal of All Program Costs	(12.2)	(9.8)	(1.9)
Public Health - Subtotal of All Program Costs	(34.6)	(19.6)	6.1
Recreation & Parks - Open Space Lease Revenue Bond Debt Service	(2.0)		
Sheriff - Jail Health Workorder Costs	(1.0)		
Non-Personnel Cost Savings / (Increases)	(99.2)	(87.5)	(37.8)
Subtotal - Non-Personnel	(1,541.4)	(1,628.9)	(1,666.6)
TOTAL ENDING USES	(3,281.9)	(3,416.7)	(3,330.5)
PROJECTED SURPLUS / (SHORTFALL)	(\$12.5)	(\$172.8)	\$11.4

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 \$137.3 million of FY 2005-06 General Fund year-end fund balance will be available as a source of funds for the FY 2006-07 budget. This fund balance and projected reserves result in year-over-year incremental sources of \$12.5 million. Key changes in fund balances and reserves include:

Fund Balance – General Fund. Projected fund balance has increased due largely to the economic recovery resulting in increased revenues, as well as some departmental savings. All combined, an additional \$19.3 million is projected year-over-year from FY 2005-06's currently budgeted \$118.0 million level. The incremental \$19.3 million in additional fund balance is consistent with the Controller's Six-Month Report, where a projected year-end fund balance of \$137.3 million was reported, along with the current levels of assumed supplemental appropriations for Police, Elections and Public Health.

Fund Balance – Other. Fund balances available outside of the \$137.3 million projected General Fund balance have been largely budgeted and used during FY 2005-06. This represents a \$6.8 million year-over-year loss of funding.

Reserves from Prior Years. Occasionally, unspent reserve balances established in prior years are available to cover budget costs. The FY 2005-06 budget was balanced using available prior-year reserves totaling \$11.6 million, which is the same level projected to be available in FY 2006-07 albeit in different reserve accounts. These reserves include:

- **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 2005-06 budget, nor is any draw down projected over the subsequent three years. At this time, anticipated revenue growth in FY 2006-07 through FY 2008-09 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 are projected to be required from FY 2006-07 through FY 2008-09.
- **Rainy Day Reserve – One-Time Spending Account.** For the first time since the creation of the Rainy Day Reserve requirements by voters in November 2003, the Rainy Day's One-Time Spending Account is projected to have \$2.4 million available for one-time spending based on projected deposits made in FY 2005-06. This \$2.4 million has been included as an available source of funding in our projection. No additional deposits are projected over this three-year period.
- **Budget Savings Incentive Reserves.** The FY 2005-06 budget included \$2.5 million in budget savings reserves. Consistent with anticipated departmental savings, \$6.6 million is projected to be available to fund FY 2006-07 spending, resulting in a year-over-year increase of \$4.1 million. For FY 2007-08 available budget savings reserves are projected to decrease by \$4.6 million from FY 2006-07 levels, and remain level into FY 2008-09.
- **Salary & Benefits (MOU) Reserves.** For FY 2006-07, a \$6.6 million reduction of salary and benefit reserve funding is projected to cover negotiated cost increases. Then, a \$2.6 million reduction is projected in FY 2007-08 followed by no change for FY 2008-09.

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

Overall for FY 2006-07, we estimate projected revenue growth of \$185.8 million from the FY 2005-06 budgeted levels. This is comprised of \$236.9 million in growth offset by the \$47.6 million loss of one-time revenues and \$3.5 million in property tax increment funding, foregone by the General Fund, in order to increase allocations to the Redevelopment Agency in FY 2006-07. Attachments 1 and 2 summarize Revenue and Transfer-In sources for the three-year projection.

- **General Tax, Recurring Revenues & Transfers Into the General Fund.** Recurring Revenues & Transfers In are projected to increase \$211.7 million in FY 2006-07 from the FY 2005-06 original budget levels. As detailed on Attachment 2, overall tax revenue growth is projected to be 12.8 percent higher on average than FY 2005-06 originally budgeted levels or 5.4 percent higher on average than current year projected levels (as outlined previously in the Controller's 6-Month Report). Notable strength projected in the General Fund is primarily due to Property, Real Property Transfer, Hotel, Business, and Utility Users Tax revenue growth. Additionally, Public Health hospital revenues are projected to grow \$44.9 million in FY 2006-07. After factoring in the new or one-time revenues used to balance FY 2005-06, overall revenue and transfers in growth are projected to be 6.3, 3.1 and 3.0 percent for FY 2006-07, FY 2007-08 and FY 2008-09 respectively year-over-year from the prior year's original budget (projection for latter two years).
- **New or One-Time Revenues & Transfers Into the General Fund.** The FY 2005-06 budget was balanced using various new or one-time revenues and transfers. Most are not projected to be available in FY 2006-07, thereby creating a \$47.6 million loss. New or one-time revenue and transfer sources included in the FY 2005-06 budget that we have not assumed will recur in the upcoming year include \$29.7 million from the State for the vehicle license fee loan repayment, \$7.8 million from the sale of City-owned surplus property, \$3.5 million from the Comcast Settlement, \$2.5 million from the Emporium Settlement, \$2.4 million from transfers from the Building Inspection Fund, \$1.5 million from prior year Federal Title IVE Foster Childcare Waiver revenues, \$0.2 million from various Gifts, Grants and Other non-recurring funding.
- **State Revenue Adjustments.** Consistent with the Governor's Proposed State Budget, we have assumed that ERAF I and II shifts continue, resulting in reduced property tax revenues of \$264.3 million, along with the elimination of the two-year ERAF III shift of \$25.2 million. This latter shift, ERAF III, affected both FY 2004-05 and FY 2005-06 General Fund property tax revenues.¹ Elimination of ERAF III results in \$25.2 million of additional property tax revenue in FY 2006-07 as compared to FY 2005-06. Our projection also assumes estimated net funding allocation increases of \$0.9 million in FY 2006-07 from the State (see page 18).
- **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 2005-06 budget was based upon an assumed gross tax increment of \$70.0 million budgeted for the Redevelopment Agency – or \$5.1 million less than the \$75.1 million in total available tax increment that could be allocated to the

¹ ERAF is the Educational Revenue Augmentation Fund. ERAF shifts negatively impact local governments by shifting property tax funding to cover a portion of the Proposition 98, voter mandate that the State provide baseline spending for K-14 education. For San Francisco, all ERAF shifts effectively reduced our General Fund's revenues by an estimated \$289.5 million in FY 2005-06.

Redevelopment Agency. Our projection includes growth in Redevelopment tax increment funding which would result in a net General Fund revenue loss of \$3.5 million in FY 2006-07 to fund increased debt service that is planned. Without this planned increase in tax increment funding to the Redevelopment Agency, this net revenue would otherwise accrue to the General Fund.

USES – Salaries and Benefits

We are projecting increased labor costs for the General Fund of \$111.6 million in FY 2006-07, followed by increases of \$59.8 million in FY 2007-08 and \$48.8 million in FY 2008-09. These result from known memoranda of understanding (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 in the latter two years** of this projection report.

No wage increases are assumed on open contracts for FY 2006-07, except the wage increase annualization costs of 2.4 to 4.4 percent (depending on the labor contract for raises implemented throughout FY 2005-06) **and the compensation increases of the full pickup of the 7.5 percent employee retirement contribution. These wage assumptions are in no way meant to imply a promise to increase wages, as any increases will ultimately be decided through the collective bargaining process.**

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

- **Annualization of Partial-Year Position Funding.** In FY 2006-07, the City will incur additional costs to annualize positions funded for only a partial year in the FY 2005-06 budget. Most of the positions were funded for only three-quarters of a year. Annualization of partial-year positions results in an additional \$5.6 million in General Fund costs to fund these positions for a full year.
- **Change in Work Days.** FY 2005-06, FY 2007-08 and FY 2008-09 all have 261 workdays for regularly scheduled shifts, whereas FY 2006-07 only has 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 be \$1.4 million lower in FY 2006-07, \$2.7 million higher in FY 2007-08 and finally \$1.4 million lower in FY 2008-09.
- **Annualization of Prior Year MOU Provisions.** The ongoing cost of partial-year salary increases granted during FY 2005-06 and not shown separately in the MOU items outlined below will result in \$39.8 million in additional General Fund Supported costs in FY 2006-07.
- **MOU Costs – Closed Public Safety Salary & Fringe Costs.** Most MOUs are up for negotiations during FY 2006-07, though a few are or will be closed as noted below. Based on negotiated terms and our projection assumptions, the following costs increases are anticipated:
 1. **Police, Salaries & Fringes.** Police MOU costs are projected to increase by \$7.4 million in FY 2006-07, plus annualization costs of \$2.6 million during FY 2007-08. Because this MOU expires on June 30, 2007, we have included only the annualization of prior year increases for FY 2007-08 in the line item detail for Police. Then, consistent with other open MOUs we have assumed that Police costs

during open years (FY 2007-08 and FY 2008-09) will increase by 2.1 percent and 1.6 percent respectively – levels consistent with the projected level of inflation. Since the Police MOU mandates a multi-jurisdictional salary survey each year, which will not be completed until March 30th, we have based our projection on an assumed survey result of a 3.0 percent increase for FY 2006-07. To the degree that higher increases are granted for the Police survey jurisdictions, additional costs will result.

2. **Fire, Salaries & Fringes.** Fire MOU costs are projected to increase by \$7.6 million in FY 2006-07, followed by annualization costs of \$1.8 million during FY 2007-08. We have based our projection on assumed cost increases related to the salary survey discussed above of 3.0 percent for FY 2006-07 plus an adjustment to achieve parity with Police salaries as prescribed in Fire MOU. This MOU also expires on June 30, 2007, so we have included only the annualization of prior year increases in the line item detail for Fire in Table B. Then, consistent with other open MOUs we have assumed that Fire costs during open years (FY 2007-08 and FY 2008-09) will increase by 2.1 percent and 1.6 percent respectively – levels consistent with the projected level of inflation. As with the Police salaries discussed above, to the degree higher increases are granted for the Police survey jurisdictions, additional costs will result.
 3. **Deputy Sheriffs Association (DSA), Salaries & Fringes.** The DSA's proposed MOU, which will be retroactive to July 1, 2005, results in projected increases of 11.24 percent in FY 2006-07 (impact of two years of increases), 2.98 percent in FY 2007-08, and 6.39 percent in FY 2008-09, or an additional cost of \$6.0 million in FY 2006-07, along with increases of \$1.8 million and \$3.9 million in FY 2007-08 and FY 2008-09 respectively.
- **Open MOU Costs.** Most MOUs are currently in negotiation for FY 2006-07. To capture projected costs associated with anticipated new contracts, we have included the following costs increases:
 1. **Wage Increases.** No general wage increases are assumed for open contracts during FY 2006-07, except for the annualization costs of 2.4 to 4.4 percent for existing raises implemented throughout FY 2005-06. These annualization increases, along with the effective impact of the City again picking up the employee's mandatory 7.5 percent retirement contribution costs equates to compensation increases of 9.4 to 9.9 percent for FY 2006-07. The table on the following page provides a comparison of wage increases for open contracts and inflation.

Even with the assumption that no additional wage increases are provided for employees in FY 2006-07, employees are projected to have total compensation growth in excess of inflation after factoring in both wage and retirement pick-up since FY 2002-03.

For FY 2007-08 and FY 2008-09, MOU costs for open contracts are projected to be equal to inflation of 2.1 and 1.6 percent respectively. This results in increased costs of \$26.8 million in FY 2007-08 and \$21.0 million in FY 2008-09. These projection assumptions parallel how we have projected inflationary cost increases for non-personnel discussed below in the latter two years of the projection.

2. **Employer Pick-Up of the Required Employee Retirement Contribution.** The City is projected to incur increased costs of \$35.1 million in FY 2006-07 to once again pick up the remainder of costs related to the required employee retirement contribution, i.e. the 7.5 percent for most miscellaneous employees.

The Table below compares total compensation increases received by employees under currently open MOUs to inflation. This comparison shows that total compensation increases granted and projected for such employees range from 14.8 to 16.4 percent since FY 2002-03, which is better than inflation.

**Table C: Summary Comparison of Compensation Changes and Inflation
 Employees Total Compensation Growth Outpaces Inflation**

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	Since FY 2002-03
	<u>Inflation Assumed in Joint Report</u>							
CPI - All Urban Consumers	1.85%	0.95%	1.71%	2.61%	1.67%	2.10%	1.61%	13.2%
CPI - Wage Earners	2.02%	0.97%	1.91%	2.48%	1.53%	2.10%	1.62%	13.3%
	<u>Actual Increases Provided</u>				<u>Wage Costs Assumed in Joint Report</u>			
Compensation Changes for MOUs where City Picks-up 7.5% on June 30, 2006								
Wage Cost Increases	3.75%	2.25%	0.00%	3.60%	2.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)	-2.75%	-4.75%			7.50%			
Total Increase	1.00%	-2.50%	0.00%	3.60%	9.90%	2.10%	1.62%	16.3%
Compensation Changes for MOUs where City Picks-up 2.5% on July 1, 2005 and 5.0% on June 30, 2006								
Wage Cost Increases	3.75%	2.25%	0.00%	1.60%	4.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)	-2.75%	-4.75%		2.50%	5.00%			
Total Increase	1.00%	-2.50%	0.00%	4.10%	9.40%	2.10%	1.62%	16.4%
Compensation Changes for SEIU where City Picks-up 2.5% on July 1, 2005 and 5.0% on June 30, 2006								
Wage Cost Increases	5.00%	0.00%	0.00%	1.60%	4.40%	2.10%	1.62%	
Pension Pick-Up Increases (EPMC)		-7.50%		2.50%	5.00%			
Total Increase	5.00%	-7.50%	0.00%	4.10%	9.40%	2.10%	1.62%	14.8%

- **Health and Dental Benefits.** Total health and dental benefits are projected to increase by \$15.3 million, \$26.8 million and \$21.0 million in FY 2006-07, FY 2007-08 and FY 2008-09 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 5.8 percent increase (going from \$345.53 to \$365.66 per month) in the Charter-required contribution from FY 2005-06 to FY 2006-07. Given this increase as well as other projected changes in plan utilization, planned use of fund balance of \$15.5 million during FY 2006-07 and negotiated benefit provisions, costs related to current employees are projected to increase by \$12.2 million, \$14.5 million and \$16.0 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. Our projections for FY 2007-08 and FY 2008-09 are based on projected underlying insurance cost increases of an estimated 10.0 percent each year along with no further trust fund subsidy.

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 \$3.1 million, \$12.2 million, and \$11.4 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. This includes full implementation of the Medicare Act of 2003, with an estimated savings of \$2.9 million to the City from the Federal government related to the Medicare Prescription Drug reimbursements. This savings does not reduce prescription drug benefits for Retired City Employees. Our projections for FY 2007-08 and FY 2008-09 are based on projected underlying cost increases of 10.0 percent for inflation, 4.7 percent for utilization and 3.8 percent from the absence of further trust fund subsidization.
- **Pension Costs.** Total pension costs are projected to decrease because of projected contribution rate decreases and result in savings of \$5.1 million, \$2.7 million and \$2.1 million in FY 2006-07, FY 2007-08 and FY 2008-09 respectively. This is comprised of contributions into SFERS and CalPERS 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 20.850 percent in FY 2005-06 to 18.824 percent in FY 2006-07. CalPERS has also reported that their projected contribution rate is 18.700 percent for FY 2007-08. We have assumed that same rate for FY 2008-09. These contribution rate assumptions result in pension savings of \$1.5 million in FY 2006-07, \$0.1 million in FY 2007-08, and \$0.0 million in FY 2008-09.
 2. **SFERS Contribution Rate Changes – Employer-Share Only.** Employer-share contribution rates are set to decrease from 6.58 percent in FY 2005-06 to 6.24 percent in FY 2006-07 for covered City employees, as adopted by the Retirement Board on January 10, 2006. 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. These required employer-share rates are based on the San Francisco Employees’ Retirement System’s (SFERS) actuarial valuation as of July 1, 2005 (completed and published in January 2006). For our 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. This results in required employer-share contribution rates of 6.00 percent in FY 2007-08 and 5.80 percent in FY 2008-09 as calculated by the Retirement System. These rate change assumptions result in the retirement contribution savings of \$3.6 million, \$2.6 million, and \$2.1 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively.

USES – Other Non-Salary, General Citywide Costs

We project other non-Salary expenditure increases of \$99.2 million, \$87.5 million and \$37.8 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively. These costs are based on the following assumptions:

- **Baseline & Other Mandated Spending Requirements.** The Charter specifies baseline-funding levels for various programs or functions, including the Municipal Transportation Agency (MUNI and Parking & Traffic), the Library, Children's Services, Public Education Enrichment, 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 baselines of \$8.2 million, \$35.5 million and \$27.2 million for FY 2006-07, FY 2007-08 and FY 2008-09 respectively.

Baseline & Other Mandated Spending Requirements, (in millions)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Municipal Railway	\$ 102.7	\$ 112.6	\$ 117.6	\$ 122.4
Parking & Traffic	37.1	41.0	42.8	44.6
Subtotal MTA	139.9	153.7	160.4	167.0
Children's Services	78.9	85.5	89.2	92.9
Library	33.8	37.5	39.1	40.8
Public Education	23.3	6.7	30.0	45.0
Human Services Care Fund	14.1	14.3	14.3	14.4
City Services Auditor	9.1	9.5	9.5	9.7
Municipal Symphony	1.4	1.5	1.6	1.6
Baseline & Other Mandated Spending Requirements	\$ 300.4	\$ 308.6	\$ 344.1	\$ 371.3

- **Capital Improvements, Efficiency Projects, Facilities Maintenance & Equipment.** The FY 2005-06 budget included \$36.3 million in capital improvements, \$10.1 in efficiency projects, \$16.7 in facilities maintenance expenditures and an \$8.6 million cash purchase equipment program. Of this \$71.7 million costs, \$66.6 million was backed by General Fund discretionary revenue. We are assuming similar levels of General Fund discretionary spending over the next three years along with an equipment lease program of \$8.0 million in each of the subsequent three fiscal years.
- **CPI – Inflationary Increases for Non-Personnel Costs.** Our projection assumes that operating cost inflationary increases of 1.7 percent in FY 2006-07 at a cost of \$13.9 million, 2.1 percent in FY 2007-08 at a cost of \$17.4 million and 1.6 percent in FY 2008-09 at a cost of \$13.6 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 \$8.0 million per year, total debt service and lease financing costs are projected to increase by \$3.3 million in FY 2006-07 and \$0.2 million in FY 2007-08. Savings of \$0.5 million are projected for FY 2008-09 as past debt is retired.

- **Litigation & Claims.** Each year the City is exposed to various risks related to lawsuits. We partially funded the settlement of litigation and claims with reserve carryforwards from prior years for FY 2005-06. No surplus reserves are projected to be available for FY 2006-07, necessitating an additional \$4.0 million to be budgeted during FY 2006-07 – that is, increasing from \$7.0 million in the FY 2005-06 budget to \$11.0 million in FY 2006-07 and thereafter.
- **One-Time Costs Removed from Base, net.** Each year, as is the case with one-time revenues, one-time costs are removed from the base budget. The elimination of one-time costs is projected to result in net savings of \$4.6 million after annualizing all costs associated with continuing Board-approved add-backs in the budget.
- **Utility Costs.** Costs related to utilities, including electricity, natural gas, water, sewer, garbage and steam are projected to increase by \$5.0 million in FY 2006-07, \$1.0 million in FY 2007-08 and \$0.8 million in FY 2008-09. Notable increases are tied to: 1) natural gas commodity price increases, 2) sewer service rate increases of 13 percent on average (in both FY 2005-06 and FY 2006-07), and 3) garbage rate increases (currently under rate review). Cost increases for all utilities are included in our projection, except for water (where average rate increases of 15 percent in both FY 2005-06 and FY 2006-07 occur), because the General Fund has historically not paid for water.
- **Worker's Compensation Costs.** Workers' compensation reform along with continued cost management and return to work efforts are delivering savings to the City. The estimated savings for FY 2005-06 are \$3.4 million for General Fund Supported departments. Further savings of \$0.2 million are projected for FY 2006-07, followed by cost increases of \$1.8 million in FY 2007-08 and another \$1.8 million in FY 2008-09. These latter two years' projected costs are largely driven by assumed medical inflation of 10.0 percent offset partially by reform savings. No changes to benefit levels were assumed other than those prescribed under current law. Additionally, we have assumed that the number of indemnity claims will remain relatively flat over the next three years.

USES – Other Non-Salary, Departments & Commissions

- **Administrative Services - Convention Facilities.** Convention Facilities continue to require General Fund Support over the next three years to cover operating and debt service costs. Savings of \$0.8 million are projected for FY 2006-07, along with incremental costs of \$2.2 million for FY 2007-08 and \$1.2 million for FY 2008.
- **Elections Department.** Assuming FY 2006-07 will have only one regularly scheduled election resulting in savings of \$3.5 million, which is then partially offset by the annualization of \$1.5 million in costs. For FY 2007-08, \$3.5 million of additional costs are projected, as there will be two regularly scheduled elections. For 2008-09, \$3.5 million of savings are projected due to having only one regularly scheduled election.
- **Ethics Commission – Public Financing of Elections.** Total costs are projected to increase by \$6.9 million in FY 2006-07, followed by savings of \$5.4 million in FY 2007-08 and further cost increases of \$1.4 million in FY 2008-09. 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. This is

projected to result in incremental costs of \$0.6 million in FY 2006-07, followed by savings of \$0.6 million in FY 2007-08 and then incremental costs of \$1.4 million in FY 2008-09. These projections are tied to the timing of elections as well as the number of candidates for each district.

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 costs of \$6.3 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. These projections are tied to the timing of mayoral elections as well as the number of candidates and funding caps.
- **Fire Department.** Voter-approved initiative to keep all fire houses open that passed on the November 2005 ballot results in \$8.4 million of additional costs for the General Fund to fund minimum staffing requirements in FY 2006-07. The cost to implement this initiative has increased beyond that estimated in the ballot handbook due to increased wages and restoration of additional brown-out days.
 - **General Services Agency – 311 Project.** Projected incremental costs of \$8.3 million in FY 2006-07 along with savings of \$4.6 million in FY 2008-09 are included in this projection to cover the implementation of the City’s 311 Call Center and related enhanced information services initiative. Policy decisions related to the timing of implementation and the adoption of a 311 fee may change this projection.
 - **Human Resources.** Most labor MOUs are up for renewal at the end of FY 2005-06. Due to the cyclical nature of labor negotiations, savings of \$1.4 million and \$0.5 million are projected for FY 2006-07 and FY 2007-08 respectively. For FY 2008-09, projected cost increases of \$2.0 million are projected.
 - **Human Services Agency.** The agency has projected costs savings of \$0.1 million in FY 2006-07 followed by cost increases of \$1.3 and \$2.3 million in the latter two years of our projection. These changes are summarized below.

	FY 2006-07	FY 2007-08	FY 2008-09
Aid Expenditure Growth	(3.5)	(2.5)	(3.6)
Revenue Offsets tied to Wage & Fringe Costs	3.6	1.2	1.3
Human Services - Subtotal of All Program Costs	0.1	(1.3)	(2.3)

1. **Aid Expenditure Growth.** The Human Services Department is projecting increased General Fund expenditures of \$3.5 million, \$2.5 million and \$3.6 million in FY 2006-07, FY 2007-08, and FY 2008-09 respectively. Increases in General-Fund Supported aid expenditures, which are projected to increase between two to three percent per year on average, are driven by caseload growth, particularly in the County Adult Assistance Programs and the In-Home Supportive Services Program. No net increase in administrative staffing is assumed in this aid projection. Overall, the Human Services Department is projected to receive about 70 percent of its funding from the State and Federal governments.
2. **Revenue Offsets tied to Wage & Fringe Costs.** The Human Services Department is projecting General Fund Savings of \$3.6 million, \$1.2 million and \$1.3 million in FY

2006-07, FY 2007-08, and FY 2008-09 respectively. The department’s funding formulas generally allow for reimbursement of personnel costs. These savings reflect State and Federal reimbursements for portions of the cost increases assumed in this report.

3. **Supportive Services Costs for Housing in Construction Pipeline.** The Human Services Department is projecting additional costs of \$2.5 million and \$3.2 million in FY 2007-08, and FY 2008-09 respectively related to supportive services. However, these increases are not included in our projection and will be policy decisions that the Mayor and Board may consider funding during those budget years.

- **Museums – New Facility & Annualization Costs.** Total costs are projected to increase \$0.5 million, \$1.1 million and \$0.2 million over the next three years related to:

1. **Academy of Sciences.** The new Academy of Sciences will open during FY 2007-08 creating additional costs of \$1.1 million in FY 2007-08 and another \$0.2 million in FY 2008-09.

2. **Fine Arts Museum.** With the opening of the new de Young Museum in FY 2005-06, we estimate that the General Fund contribution to the Fine Arts Department will increase by \$0.5 million in FY 2006-07 to reflect the annualization of operating costs.

- **Police.** The department has projected costs increases of \$12.2, \$9.8 and \$1.9 million over the next three years. These changes are summarized below.

	FY 2006-07	FY 2007-08	FY 2008-09
Crime Lab Costs	(0.4)		
Annualize Current Year Structural Shortfall	(9.0)		
Annualize Current Year Academies (not already included above)	(5.4)		
Expiration of Federal COPS Grant Funding (cost to maintain 133 officers)	(4.1)	(9.8)	(1.9)
Expiration of Federal COPS Grants (Required Local Match Budgeted in CY)	6.7		
Police - Subtotal of All Program Costs	(12.2)	(9.8)	(1.9)

1. **Crime Lab Costs** – The projected incremental costs of \$0.4 million for FY 2006-07 are due to removing the crime lab from the shipyard’s utility grid while remediation is underway. This is a temporary solution to a longer-term need to relocate the crime lab - costs of which are not included in our projection at this time.

2. **FY 2005-06 Expenditure Deficit & Academy Cost Annualization.** The department’s current year uniform-staffing cost deficit, including \$7.0 million in overspending for overtime, is assumed annualized at \$9.0 million. This is greater than the recently approved supplemental because we have assumed miscellaneous salary savings will not be available in FY 2006-07 (as was the case in FY 2005-06) and because of workers compensation savings in the Police department. Additionally, \$5.4 million in cost increases are projected to annualize the costs of 80 new Police officers added in the FY 2005-06 academy classes.

3. **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 of 1,971 full duty officers, we have included the projected costs of bringing these officers back onto the General Fund. Cost increases of \$4.1 million in FY 2006-07, \$9.8 million

in FY 2007-08, and \$1.9 million in FY 2008-09. Offsetting this, the FY 2005-06 budget included local match funding of \$6.7 million, which is not projected for FY 2006-07, resulting in a like amount of savings in this report.

- **Public Health.** The Department of Public Health is projected to have department-specific increases in expenditures of \$34.6 million in FY 2006-07 and \$19.6 in FY 2008-09, along with savings of \$6.1 million in FY 2007-08. These changes are summarized below.

	FY 2006-07	FY 2007-08	FY 2008-09
Expenditure Growth Not Otherwise in Personnel & Inflation	(27.4)	(5.7)	(5.7)
Laguna Honda Hospital Equipment Costs	0.0	(14.4)	14.0
Laguna Honda Laundry Construction Build Out	(3.2)	3.2	
Laguna Honda Laundry Operating Costs	(1.4)	(0.4)	
Healthy Kids & Young Adults Enrollment Growth	(2.6)	(2.2)	(2.2)
Public Health - Subtotal of All Program Costs	(34.6)	(19.6)	6.1

1. **General Expenditure Growth.** Projected general expenditure growth of \$27.4 million is projected for FY 2006-07. These increases are coupled with increased revenues of \$44.9 million – leaving an estimated surplus of only \$17.5 million, which can then partially offset some of Public Health’s personnel and inflation costs shown separately above. Over the latter two years of our projection, general expenditure growth of \$5.7 million in FY 2007-08 and FY \$5.7 million in 2008-09, which again is more than offset by projected revenue growth of \$12.5 and \$13.0 million which can be used to partially offset Public Health’s other projected costs. All related Public Health revenues have been factored into the sources section previously discussed above.
 2. **Laguna Honda Equipment.** Equipment costs for the new Laguna Honda Hospital are projected to result in cost increases of \$14.4 million in FY 2007-08 followed by savings of \$14.0 million in FY 2008-09. If the project scope or timing changes, this projection could also change.
 3. **Laguna Honda Laundry.** Construction costs associated with the build out of the laundry facility results in projected cost increases of \$3.2 million in FY 2006-07. These costs are one-time in nature so a resulting savings of \$3.2 million is projected for FY 2007-08. Operating Costs are projected to increase \$1.4 million and \$0.4 million in FY 2006-07 and FY 2007-08 respectively.
 4. **Healthy Kids & Young Adults Enrollment.** Cost increases of \$2.6 million for FY 2006-07 and \$2.2 million each year for FY 2007-08 and FY 2008-09 are projected. This is based on projected growth in enrollment of between ten to twelve percent per year.
- **Recreation & Parks – Open Space Fund’s Lease Revenue Bond Impact.** The Recreation & Parks Department is planning to issue lease revenue bonds, secured by the Open Space Fund’s property tax revenues, to fund capital improvements. In order to maintain current service levels, this means that \$2.0 million in operating costs budgeted in the Open Space Fund during FY 2005-06 will revert to General Fund costs in FY 2006-07, in order to budget expenditures to cover new debt service costs in the Open Space Fund.

- **Sheriff's Department – Jail Health.** The Sheriff's Department is projected to have \$1.0 million in increased work order costs in FY 2006-07 as a result of projected personnel cost increases for nurses.

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, including fees such as City Planning fees. Proposed increases have not been assumed in our projections.
- **Post Employment Benefits – GASB 45's Impact on Retiree Health Benefits.** The Government Accounting Standards Board Pronouncement #45 (GASB 45) will require 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. This report does not show a cost because budgeting for post employment benefits is a policy that has not been adopted by the Mayor and Board of Supervisors. The projected liability is not known at this time; however, the Health Service System and the Controller are currently preparing an actuarial analysis that will calculate the City's projected liability.
- **State and Federal Budget Changes.** Programmatic reductions or changes included in the Governor's proposed budget of \$0.9 million have been assumed in our projection as shown in Table D on the following page for General Fund Supported operations. To the degree that any Federal cuts (including CDBG, Homeland Security or Ryan White AIDS funding) occur and are backfilled by the General Fund, our projected shortfall will grow.

**Table D: State Budget Estimated Impact for FY 2006-07, Increases / (Reductions)
 In Millions, Including Estimated Values as of Joint Report**

Dept	State Budget Item	Governor's Proposed January Budget
DISCRETIONARY REVENUE IMPACTS		
Various	State Mandated Reimbursement	\$ 3.0
Citywide	Sales Tax Collection Enhancement Program	0.2
	Subtotal - Discretionary Revenue Increase / (Loss)	<u>3.2</u>
PROGRAMMATIC FUNDING CUTS		
DHS	No Cost of Business Increase in Social Services Programs	(6.0)
DHS	CalWorks Budget Year Single Allocation Cut	(0.8)
DPH	Community Mental Health Services	(0.5)
	Subtotal - Programmatic Funding Increase / (Loss)	<u>(7.3)</u>
PROGRAMMATIC FUNDING INCREASES		
DPH	5.4% Increase in Reimbursement Rates for Long-Term Care Facilities	5.0
	General Fund Program Funding Increases	<u>5.0</u>
	GENERAL FUND PROJECTED IMPACT →	<u>\$ 0.9</u>
MTA	State Transit Assistance Funding	2.4
MTA	Prop 42 Funding	0.9
	OTHER CITY PROJECTED IMPACT	<u>\$ 3.3</u>
	TOTAL CITY PROJECTED IMPACT →	<u>\$ 4.2</u>

CONCLUSION

We project a \$12.5 million shortfall for FY 2006-07, followed by a \$172.8 million shortfall in FY 2007-08 and an \$11.4 million surplus in FY 2008-09. 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.

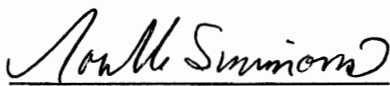
In addition to the risks noted above, a number of policy considerations are also present.

- City policymakers are faced with significant budgetary challenges for FY 2007-08 due to expenditure growth continuing to outpace total projected sources, which are higher in FY 2006-07 in large part due to higher levels of available fund balance.
- While the FY 2006-07 projection shows substantial fiscal improvement over recent history, we continue to recommend that City policymakers examine both short- and long-term strategies to mitigate the projected shortfall for FY 2007-08.

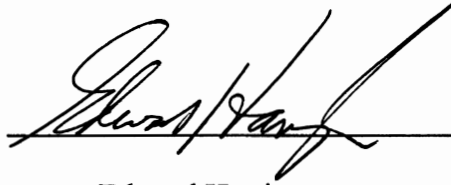
- The extent to which the Mayor and the Board of Supervisors approve appropriations of General Fund monies this spring, the shortfall for next fiscal year will be commensurately increased.

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.

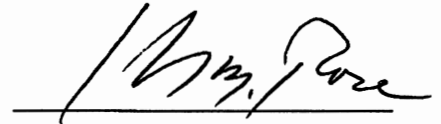
Respectfully submitted,



Noelle Simmons
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 2004-05	FY 2005-06			FY 2006-07	FY 2007-08	FY 2008-09
	Year-End Actuals	Original Budget	6-Month Projection	Joint Report Projection	Projection	Projection	Projection
Property Taxes	\$ 710.5	\$ 696.7	\$ 760.2	\$ 760.2	\$ 827.1	\$ 868.5	\$ 907.6
Business Taxes	292.2	288.3	297.7	297.7	311.1	323.5	336.4
Sales Tax	94.7	102.8	102.2	102.2	105.6	110.3	115.3
Hotel Room Tax	108.9	121.5	121.5	121.5	129.5	136.0	142.8
Utility Users Tax	72.6	70.9	74.8	74.8	77.4	79.7	82.1
Parking Tax	33.1	33.1	33.8	33.8	34.8	35.8	36.9
Real Property Transfer Tax	116.8	83.0	104.5	104.5	90.0	93.6	97.3
Stadium Admission Tax	2.2	2.4	2.5	2.5	2.5	2.6	2.6
Subtotal - Tax Revenues	1,430.9	1,398.7	1,497.0	1,497.0	1,577.9	1,649.9	1,721.0
Licenses, Permits & Franchises	19.4	19.1	19.8	19.8	20.4	20.9	21.5
Fines, Forfeitures & Penalties	9.5	11.5	10.3	10.3	4.3	4.3	4.3
Interest & Investment Income	12.6	11.3	13.4	13.4	13.8	14.2	14.6
Rents & Concessions	20.5	19.6	20.9	20.9	21.5	22.3	23.2
Subtotal - Licenses ... Concessions	62.0	61.5	64.3	64.3	59.9	61.7	63.6
Federal Subventions	165.7	206.3	200.4	200.4	197.8	197.8	197.8
State Subventions							
Social Service Subventions	120.0	117.9	123.0	123.0	119.9	119.9	119.9
Health & Welfare Realignment	156.1	158.4	158.4	158.4	163.4	168.5	174.5
Health/Mental Health Subventions	75.1	72.0	72.5	72.5	72.5	72.5	72.5
Public Safety Sales Tax	65.7	70.0	68.9	68.9	72.4	75.6	79.1
Motor Vehicle In-Lieu (County & City)	3.7	36.7	33.6	33.6	4.6	4.7	4.9
Other Grants & Subventions	17.9	19.4	26.5	26.5	24.5	24.5	24.5
Subtotal - State Subventions	438.5	474.4	483.0	483.0	457.2	465.7	475.4
Charges for Services	100.0	111.2	112.6	112.6	113.7	114.4	115.1
Recoveries of General Government Costs	16.1	19.8	19.1	19.1	15.7	16.1	16.6
Other Revenues	14.3	13.2	13.0	13.0	5.0	5.0	5.0
TOTAL REVENUES	2,227.5	2,285.1	2,389.3	2,389.3	2,427.2	2,510.7	2,594.4
TRANSFERS INTO GENERAL FUND:							
Airport	19.7	21.9	21.2	21.2	22.2	23.3	24.5
Other Transfers	120.7	85.6	86.4	86.4	84.1	84.1	84.1
Total Transfers-In	140.4	107.6	107.6	107.6	106.3	107.4	108.6
TOTAL GENERAL FUND RESOURCES	2,367.9	2,392.7	2,496.9	2,496.9	2,533.5	2,618.1	2,703.0
OTHER GENERAL FUND SUPPORTED (GFS) OPERATIONS		541.3	569.2	569.2	586.3	598.8	611.8
TOTAL GFS SOURCES		\$ 2,934.0	\$ 3,066.1	\$ 3,066.1	\$ 3,119.8	\$ 3,216.9	\$ 3,314.8
\$ Change from Prior Year Original Budget (PY Projection for Latter Two Years)					\$ 185.8	\$ 97.2	\$ 97.9
% Change from Prior Year Original Budget (PY Projection for Latter Two Years)					6.3%	3.1%	3.0%
\$ Change from Prior Year Joint Report Projection					\$ 53.7	\$ 97.2	\$ 97.9
% Change from Prior Year Revised Budget (PY Projection for Latter Two Years)					1.8%	3.1%	3.0%
\$ Change from Prior Year Revised Budget - Discretionary Revenues ONLY					\$ 168.1	\$ 76.1	\$ 75.2
% Change from Prior Year Revised Budget (PY Projection for Latter Two Years) - Discretionary ONLY					10.6%	4.4%	4.1%

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

	... FROM FY 2005-06 BUDGET			...FROM JOINT REPORT PROJECTION		
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2006-07	FY 2007-08	FY 2008-09
	% Chg from FY 2005-06 Original Budget	% Chg from FY 2006-07 Projection	% Chg from FY 2007-08 Projection	% Chg from FY 2005-06 Joint Report	% Chg from FY 2006-07 Projection	% Chg from FY 2007-08 Projection
Property Taxes	18.7%	5.0%	4.5%	8.8%	5.0%	4.5%
Business Taxes	7.9%	4.0%	4.0%	4.5%	4.0%	4.0%
Sales Tax	2.7%	4.5%	4.5%	3.4%	4.5%	4.5%
Hotel Room Tax	6.6%	5.0%	5.0%	6.6%	5.0%	5.0%
Utility Users Tax	9.1%	3.0%	3.0%	3.5%	3.0%	3.0%
Parking Tax	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Real Property Transfer Tax	8.4%	4.0%	4.0%	-13.9%	4.0%	4.0%
Stadium Admission Tax	3.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Subtotal - Tax Revenues	12.8%	4.6%	4.3%	5.4%	4.6%	4.3%
Licenses, Permits & Franchises	6.4%	2.7%	2.7%	3.0%	2.7%	2.7%
Fines, Forfeitures & Penalties	-62.8%	0.0%	0.0%	-58.5%	0.0%	0.0%
Interest & Investment Income	22.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rents & Concessions	9.8%	3.9%	3.9%	3.0%	3.9%	3.9%
Subtotal - Licenses ... Concessions	-2.6%	3.0%	3.0%	-6.8%	3.0%	3.0%
Federal Subventions	-4.1%	0.0%	0.0%	-1.3%	0.0%	0.0%
State Subventions						
Social Service Subventions	1.6%	0.0%	0.0%	-2.5%	0.0%	0.0%
Health & Welfare Realignment	3.1%	3.1%	3.6%	3.1%	3.1%	3.6%
Health/Mental Health Subventions	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Public Safety Sales Tax	3.4%	4.5%	4.5%	5.0%	4.5%	4.5%
Motor Vehicle In-Lieu (County & City)	-87.6%	4.0%	4.0%	-86.4%	4.0%	4.0%
Other Grants & Subventions	26.3%	0.0%	0.0%	-7.6%	0.0%	0.0%
Subtotal - State Subventions	-3.6%	1.9%	2.1%	-5.3%	1.9%	2.1%
Charges for Services	2.2%	0.6%	0.6%	1.0%	0.6%	0.6%
Recoveries of General Government Costs	-20.8%	3.0%	3.0%	-18.0%	3.0%	3.0%
Other Revenues	-62.2%	0.0%	0.0%	-61.4%	0.0%	0.0%
TOTAL REVENUES	6.2%	3.4%	3.3%	1.6%	3.4%	3.3%
TRANSFERS INTO GENERAL FUND:						
Airport	1.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Other Transfers	-1.8%	0.0%	0.0%	-2.7%	0.0%	0.0%
Total Transfers-In	-1.2%	1.0%	1.1%	-1.2%	1.0%	1.1%
TOTAL GENERAL FUND RESOURCES	5.9%	3.3%	3.2%	1.5%	3.3%	3.2%
OTHER GENERAL FUND SUPPORTED (GFS) OPERATIONS	8.3%	2.1%	2.2%	3.0%	2.1%	2.2%
TOTAL GFS SOURCES	6.3%	3.1%	3.0%	1.7%	3.1%	3.0%

APPENDIX G

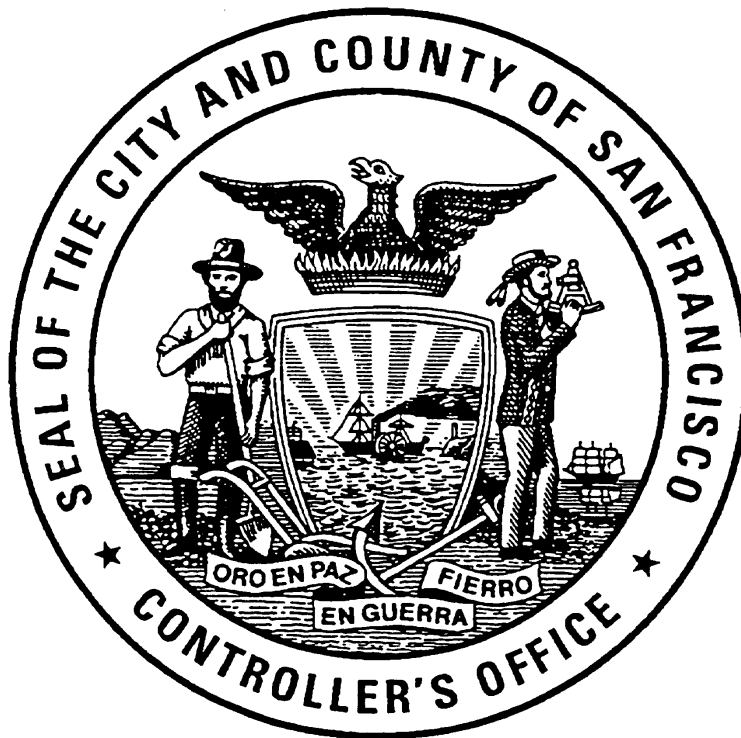
**ANNUAL REPORT FOR THE CITY AND COUNTY OF SAN FRANCISCO LIMITED OBLIGATION
IMPROVEMENT BONDS BAYSHORE HESTER ASSESSMENT DISTRICT NO. 95-1 PREPARED BY
MUNIFINANCIAL**

**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 ANNUAL CONTINUING DISCLOSURE
INFORMATION STATEMENT
March 1, 2006**

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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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www.muni.com

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
9/2/2006	79765E AJ7	9/2/2009	79765E AM0
9/2/2007	79765E AK4	9/2/2010	79765E AN8
9/2/2008	79765E AL2	9/2/2011	79765E AP3

A. AUDITED FINANCIAL STATEMENTS

The audited financial statements for the City for Fiscal Year 2004/05 are contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2005, 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, 2005, 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, 2005, 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 \$900,833.65 have been recorded against the parcels as shown in the following table. Using the assessed values as indicated on the fiscal year 2005/06 Secured Roll, the overall value-to-lien ratio for all the parcels is approximately 25.07 to 1.

Assessor's Parcel Number	2005/06 Total Assessed Value	Current Assessment Lien	Value To Lien Ratio
5054A038	\$357,648	\$19,166.68	18.66
5054A039	388,015	19,166.68	20.24
5054A040	625,000	19,166.68	32.61
5054A041	331,052	19,166.68	17.27
5054A044	540,506	19,166.68	28.20
5054A047	581,400	19,166.68	30.33
5054A048	609,396	19,166.68	31.79
5054A050	399,256	19,166.68	20.83
5054A051	399,264	19,166.68	20.83
5054A052	572,235	19,166.68	29.86
5054A053	622,200	19,166.68	32.46
5054A054	524,608	19,166.68	27.37
5054A055	583,292	19,166.68	30.43
5054A056	529,911	19,166.68	27.65
5054A057	629,146	19,166.68	32.82
5054A058	518,236	19,166.68	27.04
5054A059	556,404	19,166.68	29.03
5054A060	435,540	19,166.68	22.72
5054A061	476,328	19,166.68	24.85
5054A062	465,308	19,166.68	24.28
5054A063	579,428	19,166.68	30.23
5054A064	550,208	19,166.68	28.71
5054A065	413,488	19,166.68	21.57
5054A066	435,540	19,166.68	22.72
5054A067	478,588	19,166.68	24.97
5054A068	402,462	19,166.68	21.00
5054A069	561,504	19,166.68	29.30
5054A070	589,153	19,166.68	30.74
5054A071	410,507	19,166.68	21.42
5054A072	582,901	19,166.68	30.41
5054A073	409,005	19,166.68	21.34
5054A074	720,000	19,166.68	37.57
5054A075	399,262	19,166.68	20.83
5054A076	399,261	19,166.68	20.83
5054A077	388,014	19,166.68	20.24
5054A078	366,563	19,166.68	19.13
5054A079	385,971	19,166.68	20.14
5054A080	366,565	19,166.68	19.13
5054A081	360,721	19,166.68	18.82
5054A082	465,262	19,166.68	24.27
5054A083	344,800	19,166.68	17.99
5054A084	363,129	19,166.68	18.95
5054A085	439,870	19,166.68	22.95
5054A086	397,012	19,166.37	20.71
5054A087	376,769	19,166.68	19.66
5054A088	393,639	19,166.68	20.54
5054A089	371,145	19,166.68	19.36
Total	22,095,512.00	900,833.65	25.07

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

4. Principal Amount Of Bonds Outstanding

As of June 1, 2005, the principal amount of Bonds was \$895,000 and as of September 3, 2005, the principal amount of Bonds outstanding was \$875,000.

5. Debt Service Reserve Fund Balance

Balance as of	Balance ⁽¹⁾
June 1, 2005	\$92,802.54
September 30, 2005	\$89,728.20

Source: JP Morgan Chase Bank

(1) The fund balance information provided subsequent to June 1, 2005 has been provided as a courtesy by the City. The City has no continuing obligation to provide this information in the future.

6. Assessment Delinquencies

Fiscal Year	Parcels Delinquent	Total Annual Assessment	Amount Delinquent ⁽¹⁾	Percent Delinquent
1997/98	0	\$88,991	\$0	0.00%
1998/99	0	84,231	0	0.00%
1999/00	1	78,924	1,644	2.08%
2000/01	1	86,525	1,803	2.08%
2001/02	0	86,200	0	0.00%
2002/03	0	89,866	0	0.00%
2003/04	0	88,874	0	0.00%
2004/05	4	91,995	4,893	5.32%

A.P.N.	Name	Amount Delinquent ⁽¹⁾	Date of Delinquency	Percentage of Total Delinquent
5054A039	Gomez, Joaquin	\$979	4/10/2005	11.74%
5054A040	Bridget Cullinane	1,957	12/10/2004	23.46%
5054A056	Bayshore-Hester Assoc	3,447	12/10/1999	41.33%
5054A071	Chen Ri Tang & Shirley	979	4/10/2005	11.74%
5054A088	Salas Mario	979	4/10/2005	11.74%

Source: San Francisco County Tax Collector's Office

(1) Amount delinquent as of December 1, 2005

7. Foreclosure Proceedings

As of June 1, 2005, 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.