

**ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2000**



**CITY AND COUNTY OF SAN FRANCISCO
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
PARKING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO**

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ANNUAL REPORT

CITY AND COUNTY OF SAN FRANCISCO CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO PARKING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco (“**City**”), the City and County of San Francisco Finance Corporation (“**Finance Corporation**”), the Public Utilities Commission of the City and County of San Francisco (“**PUC**”), and the Parking Authority of the City and County of San Francisco (“**Parking Authority**”), hereby each provide the following information required for each of their respective annual reports (collectively, “**Annual Report**”) for the fiscal year ended June 30, 2000 pursuant to their respective contractual undertakings under the Continuing Disclosure Certificates (as hereinafter defined) in connection with the following:

I. CITY GENERAL OBLIGATION BONDS:

A. \$44,480,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, dated as of July 1, 1995, consisting of:

1. \$18,480,000 General Obligation Bonds (Public Safety Improvement Projects, 1990) Series 1995A (“Series 1995A G.O. Bonds”); and
2. \$26,000,000 General Obligation Bonds (Golden Gate Park Improvements, 1992) Series 1995B (“Series 1995B G.O. Bonds”)

CUSIP (Series 1995A & Series 1995B G.O. Bonds)	MATURITY (June 15)	CUSIP (Series 1995A & Series 1995B G.O. Bonds)	MATURITY (June 15)
797645HN1	2001	797645HV3	2008
797645HP6	2002	797645HW1	2009
797645HQ4	2003	797645HX9	2010
797645HR2	2004	797645HY7	2011
797645HS0	2005	797645HZ4	2012
797645HT8	2006	797645JA7	2013
797645HU5	2007	797645JB5	2014

B. \$63,590,000 City and County of San Francisco General Obligation Bonds (City Hall Improvement Project) Series 1996A, dated as of March 1, 1996 (“Series 1996A G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645KA5	2001	797645KJ6	2009
797645KB3	2002	797645KK3	2010
797645KC1	2003	797645KL1	2011
797645KD9	2004	797645KM9	2012
797645KE7	2005	797645KN7	2013
797645KF4	2006	797645KP2	2014
797645KG2	2007	797645KQ0	2015
797645KH0	2008	797645KR8	2016

C. \$89,230,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, dated as of June 15, 1996, consisting of:

1. \$7,645,000 General Obligation Bonds (Public Safety Improvement Projects, 1989) Series 1996B (“Series 1996B G.O. Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645LJ5	2001	797645LS5	2009
797645LK2	2002	797645LT3	2010
797645LL0	2003	797645LU0	2011
797645LM8	2004	797645LV8	2012
797645LN6	2005	797645LW6	2013
797645LP1	2006	797645LX4	2014
797645LQ9	2007	797645LY2	2015
797645LR7	2008	797645LZ9	2016

2. \$14,285,000 General Obligation Bonds (Fire Department Facilities Project, 1992) Series 1996C (“Series 1996C G.O. Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645ME5	2001	797645MN5	2009
797645MF2	2002	797645MP0	2010
797645MG0	2003	797645MQ8	2011
797645MH8	2004	797645MR6	2012
797645MJ4	2005	797645MS4	2013
797645MK1	2006	797645MT2	2014
797645ML9	2007	797645MU9	2015
797645MM7	2008	797645MV7	2016

3. \$42,300,000 General Obligation Bonds (School District Facilities Improvements, 1994) Series 1996D (“Series 1996D G.O. Bonds”); and

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645NA2	2001	797645NJ3	2009
797645NB0	2002	797645NK0	2010
797645NC8	2003	797645NL8	2011
797645ND6	2004	797645NM6	2012
797645NE4	2005	797645NN4	2013
797645NF1	2006	797645NP9	2014
797645NG9	2007	797645NQ7	2015
797645NH7	2008	797645NR5	2016

4. \$25,000,000 General Obligation Bonds (Asian Art Museum Relocation Project) Series 1996E (“Series 1996E G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645NW4	2001	797645PE2	2009
797645NX2	2002	797645PF9	2010
797645NY0	2003	797645PG7	2011
797645NZ7	2004	797645PH5	2012
797645PA0	2005	797645PJ1	2013
797645PB8	2006	797645PK8	2014
797645PC6	2007	797645PL6	2015
797645PD4	2008	797645PM4	2016

- D. \$449,085,000 General Obligation Refunding Bonds Series 1997-1, dated as of October 15, 1997 (“Series 1997-1 G.O. Bonds”)**

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645RW0	2001	797645SE9	2009
797645RX8	2002	797645SF6	2010
797645RY6	2003	797645SG4	2011
797645RZ3	2004	797645SH2	2012
797645SA7	2005	797645SJ8	2013
797645SB5	2006	797645SK5	2014
797645SC3	2007	797645SL3	2015
797645SD1	2008	797645SM1	2016

E. \$47,155,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, dated as of June 15, 1997, consisting of:

1. \$25,105,000 General Obligation Bonds (Golden Gate Park Improvements, 1992) Series 1997A (“Series 1997A G.O. Bonds”); and

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645PU6	2001	797645QD3	2010
797645PV4	2002	797645QE1	2011
797645PW2	2003	797645QF8	2012
797645PX0	2004	797645QG6	2013
797645PY8	2005	797645QH4	2014
797645PZ5	2006	797645QJ0	2015
797645QA9	2007	797645QK7	2016
797645QB7	2008	797645QL5	2017
797645QC5	2009		

2. \$22,050,000 General Obligation Bonds (School District Facilities Improvements, 1994) Series 1997B (“Series 1997B G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645QV3	2001	797645RE0	2010
797645QW1	2002	797645RF7	2011
797645QX9	2003	797645RG5	2012
797645QY7	2004	797645RH3	2013
797645QZ4	2005	797645RJ9	2014
797645RA8	2006	797645RK6	2015
797645RB6	2007	797645RL4	2016
797645RC4	2008	797645RM2	2017
797645RD2	2009		

F. \$20,000,000 City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing) Series 1998A, dated as of February 1, 1998 (“Series 1998A Taxable G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645SQ2	2001	797645SY5	2009
797645SR0	2002	797645SZ2	2010
797645SS8	2003	797645TA6	2011
797645ST6	2004	797645TB4	2012
797645SU3	2005	797645TC2	2013
797645SV1	2006	797645TD0	2014
797645SW9	2007	797645TE8	2015
797645SX7	2008	797645TH1	2018

G. \$20,000,000 City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing) Series 1999A, dated as of June 10, 1999 (“Series 1999A Taxable G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645TM0	2001	797645TT5	2007
797645TN8	2002	797645TU2	2008
797645TP3	2003	797645TV0	2009
797645TQ1	2004	797645TW8	2010
797645TR9	2005	797645UF3	2019
797645TS7	2006		

H. \$97,760,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, dated as of June 15, 1999 consisting of:

1. \$20,395,000 General Obligation Bonds (Educational Facilities Bonds, 1997 - Community College District) Series 1999A (“Series 1999A G.O. Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645UH9	2001	797645US5	2010
797645UJ5	2002	797645UT3	2011
797645UK2	2003	797645UU0	2012
797645UL0	2004	797645UV8	2013
797645UM8	2005	797645UW6	2014
797645UN6	2006	797645UX4	2015
797645UP1	2007	797645UY2	2016
797645UQ9	2008	797645UZ9	2017
797645UR7	2009		

2. \$60,520,000 General Obligation Bonds (Educational Facilities Bonds, 1997 - Unified School District) Series 1999B (“Series 1999B G.O. Bonds”); and

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645VD7	2001	797645VN5	2010
797645VE5	2002	797645VP0	2011
797645VF2	2003	797645VQ8	2012
797645VG0	2004	797645VR6	2013
797645VH8	2005	797645VS4	2014
797645VJ4	2006	797645VT2	2015
797645VK1	2007	797645VU9	2016
797645VL9	2008	797645VV7	2017
797645VM7	2009	797645VX3	2019

3. \$16,845,000 General Obligation Bonds (Zoo Facilities Bonds, 1997)
Series 1999C (“Series 1999C G.O. Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645VZ8	2001	797645WJ3	2010
797645WA2	2002	797645WK0	2011
797645WB0	2003	797645WL8	2012
797645WC8	2004	797645WM6	2013
797645WD6	2005	797645WN4	2014
797645WE4	2006	797645WP9	2015
797645WF1	2007	797645WQ7	2016
797645WG9	2008	797645WR5	2017
797645WH7	2009	797645WT1	2019

**I. \$16,730,000 City and County of San Francisco General Obligation Bonds
(Asian Art Museum Relocation Project) Series 1999D, dated as of October 1,
1999 (“Series 1999D G.O. Bonds”)**

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645WV6	2001	797645XF0	2011
797645WW4	2002	797645XG8	2012
797645WX2	2003	797645XH6	2013
797645WY0	2004	797645XJ2	2014
797645WZ7	2005	797645XK9	2015
797645XA1	2006	797645XL7	2016
797645XB9	2007	797645XM5	2017
797645XC7	2008	797645XN3	2018
797645XD5	2009	797645XP8	2019
797645XE3	2010		

**J. \$53,225,000 aggregate principal amount of City and County of San Francisco
General Obligation Bonds, dated as of June 14, 2000 consisting of:**

1. \$29,605,000 General Obligations Bonds (Educational Facilities Bonds,
1997 - Community College District) Series 2000A (“Series 2000A G.O.
Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645XS2	2001	797645YC6	2011
797645XT0	2002	797645YD4	2012
797645XU7	2003	797645YE2	2013
797645XV5	2004	797645YF9	2014
797645XW3	2005	797645YG7	2015
797645XX1	2006	797645YH5	2016
797645XY9	2007	797645YJ1	2017
797645XZ6	2008	797645YK8	2018
797645YA0	2009	797645YL6	2019
797645YB8	2010	797645YM4	2020

2. \$17,440,000 General Obligations Bonds (Zoo Facilities Bonds, 1997) Series 2000B (“Series 2000B G.O. Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645YN2	2001	797645YY8	2011
797645YP7	2002	797645YZ5	2012
797645YQ5	2003	797645ZA9	2013
797645YR3	2004	797645ZB7	2014
797645YS1	2005	797645ZC5	2015
797645YT9	2006	797645ZD3	2016
797645YU6	2007	797645ZE1	2017
797645YV4	2008	797645ZF8	2018
797645YW2	2009	797645ZG6	2019
797645YXO	2010	797645ZH4	2020

3. \$6,180,000 General Obligations Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2000C (“Series 2000C G.O. Bonds”);

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645A24	2017
797645A32	2018
797645A40	2019
797645A57	2020

- K. \$20,000,000 City and County of San Francisco General Obligation Bonds (Affordable Housing) Series 2000D, dated as of July 6, 2000 (“Series 2000D G.O. Bonds”)**

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797645A65	2001	797645B80	2011
797645A73	2002	797645B98	2012
797645A81	2003	797645C22	2013
797645A99	2004	797645C30	2014
797645B23	2005	797645C48	2015
797645B31	2006	797645C55	2016
797645B49	2007	797645C63	2017
797645B56	2008	797645C71	2018
797645B64	2009	797645C89	2019
797645B72	2010	797645C97	2020

II. CITY CERTIFICATES OF PARTICIPATION:

**A. \$10,615,000 City and County of San Francisco Certificates of Participation
(2789 25th Street Property) Series 1997, dated as of September 15, 1997
("Series 1997 Certificates")**

<u>CUSIP</u>	<u>MATURITY (September 1)</u>	<u>CUSIP</u>	<u>MATURITY (September 1)</u>
79765DLT5	2000	79765DMC1	2009
79765DLU2	2001	79765DMD9	2010
79765DLV0	2002	79765DME7	2011
79765DLW8	2003	79765DMF4	2012
79765DLX6	2004	79765DMG2	2013
79765DLY4	2005	79765DMH0	2014
79765DLZ1	2006	79765DMJ6	2015
79765DMA5	2007	79765DMK3	2016
79765DMB3	2008	79765DML1	2017

**B. \$8,390,000 City and County of San Francisco Certificates of Participation
(555-7th Street Property) Series 1999, dated as of August 19, 1999 ("Series
1999 Certificates")**

<u>CUSIP</u>	<u>MATURITY (September 1)</u>	<u>CUSIP</u>	<u>MATURITY (September 1)</u>
79765DMM9	2000	79765DNA4	2013
79765DMN7	2001	79765DNB2	2014
79765DMP2	2002	79765DNC0	2015
79765DMQ0	2003	79765DND8	2016
79765DMR8	2004	79765DNE6	2017
79765DMS6	2005	79765DNF3	2018
79765DMT4	2006	79765DNG1	2019
79765DMU1	2007	79765DNH9	2020
79765DMV9	2008	79765DNJ5	2021
79765DMW7	2009	79765DNK2	2022
79765DMX5	2010	79765DNL0	2023
79765DMY3	2011	79765DNM8	2024
79765DMZ0	2012		

C. \$137,235,000 City and County of San Francisco Certificates of Participation (San Bruno Jail No. 3 Replacement Project) Series 2000, dated as of August 31, 2000 (“Series 2000 Certificates”)

<u>CUSIP</u>	<u>MATURITY (October 1)</u>	<u>CUSIP</u>	<u>MATURITY (October 1)</u>
79765DNS5	2004	79765DPC8	2014
79765DNT3	2005	79765DPD6	2015
79765DNU0	2006	79765DPE4	2016
79765DNV8	2007	79765DPF1	2017
79765DNW6	2008	79765DPG9	2018
79765DNX4	2009	79765DPH7	2019
79765DNY2	2010	79765DPJ3	2020
79765DNZ9	2011	79765DPK0	2021
79765DPA2	2012	79765DPL8	2026
79765DPB0	2013	79765DPM6	2033

III. PARKING AUTHORITY BOND ISSUES :

A. \$6,895,000 Parking Authority of the City and County of San Francisco Lease Revenue Refunding Bonds (Moscone Garage Project) Series 1998-1, dated as of November 1, 1998 (“Series 1998-1 Lease Revenue Refunding Bonds”)

<u>CUSIP</u>	<u>MATURITY (December 1)</u>	<u>CUSIP</u>	<u>MATURITY (December 1)</u>
797700CX7	2000	797700DC2	2005
797700CY5	2001	797700DD0	2006
797700CZ2	2002	797700DE8	2007
797700DA6	2003	797700DF5	2008
797700DB4	2004		

B. \$22,390,000 Parking Authority of the City and County of San Francisco Parking Meter Revenue Refunding Bonds, Series 1999-1, dated as of May 1, 1999 (“Series 1999-1 Parking Meter Revenue Refunding Bonds”)

<u>CUSIP</u>	<u>MATURITY (June 1)</u>	<u>CUSIP</u>	<u>MATURITY (June 1)</u>
797700DH1W	2001	797700DT5W	2011
797700DJ7W	2002	797700DU2W	2012
797700DK4W	2003	797700DV0W	2013
797700DL2W	2004	797700DW8W	2014
797700DM0W	2005	797700DX6W	2015
797700DN8W	2006	797700DY4W	2016
797700DP3W	2007	797700DZ1W	2017
797700DQ1W	2008	797700EA5W	2018
797700DR9W	2009	797700EB3W	2019
797700DS7W	2010	797700EC1W	2020

C. \$8,185,000 Parking Authority of the City and County of San Francisco Lease Revenue Bonds (North Beach Parking Garage Project) Series 2000A, dated as of July 12, 2000 (“Series 2000A Parking Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(June 15)</u>
797700ED9	2003	797700EP2	2013
797700EE7	2004	797700EQ0	2014
797700EF4	2005	797700ER8	2015
797700EG2	2006	797700ES6	2016
797700EH0	2007	797700ET4	2017
797700EJ6	2008	797700EU1	2018
797700EK3	2009	797700EV9	2019
797700EL1	2010	797700EW7	2020
797700EM9	2011	797700EX5	2021
797700EN7	2012	797700EY3	2022

IV. FINANCE CORPORATION BOND ISSUES :

A. \$7,065,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1996A, dated as of February 15, 1996 (“Series 1996A Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u>
79765XDE3	10/1/2000
79765XDF0	4/1/2001

B. \$13,715,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1997A, dated as of September 15, 1997 (“Series 1997A Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u>	<u>CUSIP</u>	<u>MATURITY</u>
79765XEM4	10/1/2000	79765XET9	10/1/2003
79765XEN2	4/1/2001	79765XEU6	4/1/2004
79765XEP7	10/1/2001	79765XEV4	10/1/2004
79765XEQ5	4/1/2002	79765XEW2	4/1/2005
79765XER3	10/1/2002	79765XEX0	10/1/2005
79765XES1	4/1/2003		

C. \$22,635,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds (Combined Emergency Communications Center) Series 1997, dated as of June 1, 1997 (“Series 1997 Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY (April 1)</u>	<u>CUSIP</u>	<u>MATURITY (April 1)</u>
79765XDG8	2001	79765XDS2	2011
79765XDH6	2002	79765XDT0	2012
79765XDJ2	2003	79765XDU7	2013
79765XDK9	2004	79765XDV5	2014
79765XDL7	2005	79765XDW3	2015
79765XDM5	2006	79765XDX1	2016
79765XDN3	2007	79765XDY9	2017
79765XDP8	2008	79765XEB8	2020
79765XDQ6	2009	79765XEF9	2024
79765XDR4	2010		

D. \$31,250,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds (Citywide Emergency Radio System) Series 1998-I, dated as of January 1, 1998 (“Series 1998-I Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY (April 1)</u>	<u>CUSIP</u>	<u>MATURITY (April 1)</u>
79765XEZ5	2001	79765XFJ0	2010
79765XFA9	2002	79765XFK7	2011
79765XFB7	2003	79765XFL5	2012
79765XFC5	2004	79765XFM3	2013
79765XFD3	2005	79765XFN1	2014
79765XFE1	2006	79765XFP6	2015
79765XFF8	2007	79765XFQ4	2016
79765XFG6	2008	79765XFR2	2017
79765XFH4	2009	79765XFS0	2018

E. \$23,295,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds (Combined Emergency Communications System Equipment) Series 1998, dated as of June 15, 1998 (“Series 1998 Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY (April 1)</u>	<u>CUSIP</u>	<u>MATURITY (April 1)</u>
79765XFU5	2001	79765XGE0	2011
79765XFV3	2002	79765XGF7	2012
79765XFW1	2003	79765XGG5	2013
79765XFX9	2004	79765XGH3	2014
79765XFY7	2005	79765XGJ9	2015
79765XFZ4	2006	79765XGK6	2016
79765XGA8	2007	79765XGL4	2017
79765XGB6	2008	79765XGM2	2018
79765XGC4	2009	79765XGN0	2019
79765XGD2	2010		

F. \$10,835,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998A, dated as of October 15, 1998 (“Series 1998A Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u>	<u>CUSIP</u>	<u>MATURITY</u>
79765XGS9	10/1/2000	79765XGX8	4/1/2003
79765XGT7	4/1/2001	79765XGY6	10/1/2003
79765XGU4	10/1/2001	79765XGZ3	4/1/2004
79765XGV2	4/1/2002	79765XHA7	10/1/2004
79765XGW0	10/1/2002	79765XHB5	4/1/2005

G. \$18,665,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds (Citywide Emergency Radio System), Series 1999-I, dated as of January 15, 1999 (“Series 1999-I Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u> <u>(April 1)</u>	<u>CUSIP</u>	<u>MATURITY</u> <u>(April 1)</u>
79765XHD1	2001	79765XHL3	2008
79765XHE9	2002	79765XHM1	2009
79765XHF6	2003	79765XHN9	2010
79765XHG4	2004	79765XHP4	2011
79765XHH2	2005	79765XHQ2	2012
79765XHJ8	2006	79765XHR0	2013
79765XHK5	2007		

H. \$8,315,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1999A, dated as of November 17, 1999 (“Series 1999A Lease Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY</u>	<u>CUSIP</u>	<u>MATURITY</u>
79765XHS8	4/1/2001	79765XHX7	10/1/2003
79765XHT6	10/1/2001	79765XHY5	4/1/2004
79765XHU3	4/1/2002	79765XHZ2	10/1/2004
79765XHV1	10/1/2002	79765XJA5	4/1/2005
79765XHW9	4/1/2003	79765XJB3	10/1/2005

V. PUBLIC UTILITIES COMMISSION BOND ISSUE:

A. \$131,470,000 Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, Series 1996A, dated as of December 19, 1996 (“Series 1996A Water Revenue Bonds”)

<u>CUSIP</u>	<u>MATURITY (November 1)</u>	<u>CUSIP</u>	<u>MATURITY (November 1)</u>
79765RDS5	2000	79765REC9	2010
79765RDT3	2001	79765RED7	2011
79765RDU0	2002	79765REE5	2012
79765RDV8	2003	79765REF2	2013
79765RDW6	2004	79765REG0	2014
79765RDX4	2005	79765REH8	2015
79765RDY2	2006	79765REK1	2017
79765RDZ9	2007	79765REP0	2021
79765REA3	2008	79765REU9	2026
79765REB1	2009		

The Series 1995A G.O. Bonds, Series 1995B G.O. Bonds, Series 1996A G.O. Bonds, Series 1996B G.O. Bonds, Series 1996C G.O. Bonds, Series 1996D G.O. Bonds, Series 1996E G.O. Bonds, Series 1997-1 G.O. Bonds, Series 1997A G.O. Bonds, Series 1997B G.O. Bonds, Series 1998A Taxable G.O. Bonds, Series 1999A Taxable G.O. Bond, Series 1999A G.O. Bonds, Series 1999B G.O. Bonds, Series 1999C G.O. Bonds, Series 1999D G.O. Bonds, Series 2000A G.O. Bonds, Series 2000B G.O. Bonds, Series 2000C G.O. Bonds, Series 2000D G.O. Bonds, Series 1997 Certificates, Series 1999 Certificates, Series 2000 Certificates, Series 1998-1 Lease Revenue Refunding Bonds, Series 1999-1 Parking Meter Revenue Refunding Bonds, Series 2000A Parking Lease Revenue Bonds, Series 1996A Lease Revenue Bonds, Series 1997A Lease Revenue Bonds, Series 1997 Lease Revenue Bonds, Series 1998-I Lease Revenue Bonds, Series 1998 Lease Revenue Bonds, Series 1998A Lease Revenue Bonds, Series 1999-I Lease Revenue Bonds, Series 1999A Lease Revenue Bonds and the Series 1996A Water Revenue Bonds are referred to collectively as the “Bonds.”

Note: The CUSIP numbers provided herein are for the convenience of bondholders and certificate holders. The City, the Finance Corporation, the Parking Authority, and the PUC are not responsible for the accuracy or completeness of such numbers.

VI. ANNUAL REPORT:

A. Continuing Disclosure Certificates

This Annual Report is being provided pursuant to the following Continuing Disclosure Certificates (referred to herein collectively as the “Continuing Disclosure Certificates”):

- (i) Continuing Disclosure Certificate, dated August 9, 1995, executed and delivered in connection with the issuance of the Series 1995A G.O. Bonds and the Series 1995B G.O. Bonds;
- (ii) Continuing Disclosure Certificate, dated March 28, 1996, executed and delivered in connection with the issuance of the Series 1996A G.O. Bonds;

- (iii) Continuing Disclosure Certificate, dated July 18, 1996, executed and delivered in connection with the issuance of the Series 1996B G.O. Bonds, the Series 1996C G.O. Bonds, the Series 1996D G.O. Bonds, and the Series 1996E G.O. Bonds;
- (iv) Continuing Disclosure Certificate, dated October 29, 1997, executed and delivered in connection with the issuance of the Series 1997-1 G.O. Bonds;
- (v) Continuing Disclosure Certificate, dated July 2, 1997, executed and delivered in connection with the issuance of the Series 1997A G.O. Bonds and Series 1997B G.O. Bonds;
- (vi) Continuing Disclosure Certificate, dated March 4, 1998, executed and delivered in connection with the issuance of the Series 1998A Taxable G.O. Bonds;
- (vii) Continuing Disclosure Certificate, dated June 10, 1999, executed and delivered in connection with the issuance of the Series 1999A Taxable G.O. Bonds;
- (viii) Continuing Disclosure Certificate, dated June 29, 1999, executed and delivered in connection with the issuance of the Series 1999A G.O. Bonds, the Series 1999B G.O. Bonds and the Series 1999C G.O. Bonds;
- (ix) Continuing Disclosure Certificate, dated October 14, 1999, executed and delivered in connection with the issuance of the Series 1999D G.O. Bonds;
- (x) Continuing Disclosure Certificate, dated June 14, 2000, executed and delivered in connection with the issuance of the Series 2000A G.O. Bonds, the Series 2000B G.O. Bonds, and the Series 2000C G.O. Bonds;
- (xi) Continuing Disclosure Certificate, dated July 6, 2000, executed and delivered in connection with the issuance of the Series 2000D G.O. Bonds;
- (xii) Continuing Disclosure Certificate, dated October 1, 1997, executed and delivered in connection with the issuance of the Series 1997 Certificates;
- (xiii) Continuing Disclosure Certificate, dated August 19, 1999, executed and delivered in connection with the issuance of the Series 1999 Certificates;
- (xiv) Continuing Disclosure Certificate, dated August 31, 2000, executed and delivered in connection with the issuance of the Series 2000 Certificates;
- (xv) Continuing Disclosure Certificate, dated November 19, 1998, executed and delivered in connection with the issuance of the Series 1998-1 Lease Revenue Refunding Bonds;
- (xvi) Continuing Disclosure Certificate, dated May 20, 1999, executed and delivered in connection with the issuance of the Series 1999-1 Parking Meter Revenue Refunding Bonds;

- (xvii) Continuing Disclosure Certificate, dated July 12, 2000, executed and delivered in connection with the issuance of the Series 2000A Parking Lease Revenue Bonds;
- (xviii) Continuing Disclosure Certificate, dated March 7, 1996, executed and delivered in connection with the issuance of the Series 1996A Lease Revenue Bonds;
- (xix) Continuing Disclosure Certificate, dated October 9, 1997, executed and delivered in connection with the issuance of the Series 1997A Lease Revenue Bonds;
- (xx) Continuing Disclosure Certificate, dated June 1, 1997, executed and delivered in connection with the issuance of the Series 1997 Lease Revenue Bonds;
- (xxi) Continuing Disclosure Certificate, dated January 22, 1998, executed and delivered in connection with the issuance of the Series 1998-I Lease Revenue Bonds;
- (xxii) Continuing Disclosure Certificate, dated July 2, 1998, executed and delivered in connection with the issuance of the Series 1998 Lease Revenue Bonds;
- (xxiii) Continuing Disclosure Certificate, dated November 10, 1998, executed and delivered in connection with the issuance of the Series 1998A Lease Revenue Bonds;
- (xxiv) Continuing Disclosure Certificate, dated February 4, 1999, executed and delivered in connection with the issuance of the Series 1999-I Lease Revenue Bonds;
- (xxv) Continuing Disclosure Certificate, dated November 17, 1999, executed and delivered in connection with the issuance of the Series 1999A Lease Revenue Bonds; and
- (xxvi) Continuing Disclosure Certificate, dated December 19, 1996, executed and delivered in connection with the issuance of the Series 1996A Water Revenue Bonds.

B. City General Obligation Bonds

The City hereby provides the following information as of June 30, 2000 with respect to City general obligation bond issues:

- (i) The audited general purpose financial statements of the City which are contained in the City's Comprehensive Annual Financial Report for the year ended June 30, 2000 ("CAFR") at pages 2 through 134. A copy of the CAFR is attached hereto as **Appendix A** and incorporated herein by reference;
- (ii) A summary of budgeted general fund revenues and appropriations which is contained in the CAFR at pages 8, 15-18, and 25-27;

- (iii) A summary of the assessed valuation of taxable property in the City which is contained in the CAFR at page 140;
- (iv) A summary of the ad valorem property tax levy and delinquency rate which is contained in the CAFR at page 139;
- (v) A schedule of aggregate annual debt service on tax-supported indebtedness of the City which is attached hereto as **Appendix B** and incorporated herein by reference;
- (vi) A summary of outstanding and authorized but unissued tax-supported indebtedness of the City which is contained in the CAFR at page 37; and
- (vii) A schedule of lease payment obligations supported by the City's General Fund with respect to lease revenue bonds and certificates of participation which is contained in the CAFR at pages 36-40 and 43.

C. City Certificates of Participation

In addition to the information listed this Section VI(B)(i)-(vii), the City provides the following information with respect to the City certificates of participation as of June 30, 2000:

- (i) A schedule of aggregate annual payment obligations for bonded lease financings of the City supported by its General Fund and a summary of authorized, but unissued, lease revenue bonds of the City which is contained in the CAFR at pages 36-40 and 43;
- (ii) The amount of Series 1997 Certificates outstanding under the Trust Agreement was \$9,910,000, and the balance of the Reserve Fund for the Series 1997 Certificates was \$832,768.75;
- (iii) The amount of Series 1999 Certificates outstanding under the Trust Agreement was \$8,390,000, and the balance of the Reserve Fund for the Series 1999 Certificates was \$600,490.82;
- (iv) As of June 30, 2000, there were no Series 2000 Certificates issued and outstanding.

D. Parking Authority Bond Issues

In addition to the information listed above in Section VI(B)(i)-(vii), the City provides the following information with respect to the Parking Authority bond issues as of June 30, 2000:

Series 1998-1 Lease Revenue Refunding Bonds

- (i) The amount of Series 1998-1 Lease Revenue Refunding Bonds outstanding under the Indenture was \$6,305,000. A Debt Service Reserve Fund Surety Bond is deposited in the Reserve Fund for the Series 1998-1 Lease Revenue Refunding Bonds,

Series 1999-1 Parking Meter Revenue Refunding Bonds

- (ii) The amount of Series 1999-1 Parking Meter Revenue Refunding Bonds outstanding under the Trust Agreement was \$22,275,000. A Municipal Bond Debt Service Reserve Fund Policy is credited to the Bond Reserve Fund for the Series 1999-1 Parking Meter Revenue Refunding Bonds;
- (iii) The schedule of meter revenues (including number of meters), supplemental reimbursements, if any, and debt service coverage is attached hereto as **Appendix C** and incorporated herein by reference; and

Series 2000A Parking Lease Revenue Bonds

- (iv) As of June 30, 2000, there were no Series 2000A Parking Lease Revenue Bonds issued and outstanding.

E. Finance Corporation Bond Issues

In addition to the information provided above in Section VI(B)(i)-(vii), the City provides the following information with respect to the Finance Corporation bond issues as of June 30, 2000:

- (i) The financial statements of the Finance Corporation for the year ended June 30, 2000 and 1999, in the combined financial statements and supplemental combining financial statements which are attached hereto as **Appendix D** and incorporated herein by reference;

Series 1996A Lease Revenue Bonds

- (ii) All of the equipment for the Series 1996A Lease Revenue Bonds has been acquired;
- (iii) The amount of Series 1996A Lease Revenue Bonds outstanding was \$350,000, and the balance of the Reserve Fund for the Series 1996A Lease Revenue Bonds was \$35,515.83;

Series 1997A Lease Revenue Bonds

- (iv) All of the Equipment for the Series 1997A Lease Revenue Bonds has been acquired;
- (v) The amount of Series 1997A Lease Revenue Bonds outstanding was \$8,005,000, and the balance of the Reserve Fund for the Series 1997A Lease Revenue Bonds was \$939,560.97;

Series 1997 Lease Revenue Bonds

- (vi) The amount of Series 1997 Lease Revenue Bonds outstanding was \$22,635,000, the balance of the Reserve Fund for the Series 1997 Lease Revenue Bonds was \$1,737,391.09, and the balance of the Project Fund for the Series 1997 Lease Revenue Bond was \$344,704.98;

- (vii) The project for the Series 1997 Lease Revenue Bonds was completed in December 1998;

Series 1998-I Lease Revenue Bonds

- (viii) The amount of Series 1998-I Lease Revenue Bonds outstanding was \$30,020,000, and the balance of the Reserve Fund for the Series 1998-I Lease Revenue Bonds was \$2,583,010.13;

Series 1998 Lease Revenue Bonds

- (ix) The amount of Series 1998 Lease Revenue Bonds outstanding was \$21,570,000, the balance of the Reserve Fund for the Series 1998 Lease Revenue Bonds was \$2,362,811.41, and the balance of the Acquisition Fund for the Series 1998 Lease Revenue Bonds was \$1,225,752.75;
- (x) Approximately ninety-six percent (96%) of the equipment for the Series 1998 Lease Revenue Bonds has been acquired.

Series 1998A Lease Revenue Bonds

- (xi) The amount of Series 1998A Lease Revenue Bonds outstanding was \$7,975,000 and the balance of the Reserve Fund for the Series 1998A Lease Revenue Bonds was \$934,492.92. The balance of the Project Fund for the Series 1998A Lease Revenue Bonds was \$997,998.56;
- (xii) Approximately ninety-nine (99%) of the equipment for the Series 1998A Lease Revenue Bonds has been acquired;

Series 1999-I Lease Revenue Bonds

- (xiii) The amount of Series 1999-I Lease Revenue Bonds outstanding was \$17,595,000, and the balance of the Reserve Fund for the Series 1999-I Lease Revenue Bonds was \$1,869,789.09;

Series 1999A Lease Revenue Bonds

- (xiv) The amount of Series 1999A Lease Revenue Bonds outstanding was \$8,315,000; and the balance of the Reserve Fund for the Series 1999A Lease Revenue Bonds was \$845,713.06. The balance of the Project Fund for the Series 1999A Lease Revenue Bonds was \$4,566,255.38.
- (xv) Approximately fifty-four percent (54%) of the equipment for the Series 1999A Lease Revenue Bonds has been acquired.

F. Public Utilities Commission Bond Issue

The Public Utilities Commission hereby provides the following information as of June 30, 2000 with respect to the Series 1996 A Water Revenue Bonds:

- (i) The financial statements of the Water Department for the year ended June 30, 2000 are contained in the combined financial statements for the San Francisco Public Utilities Commission, which are attached hereto as **Appendix E** and incorporated herein by reference;

- (ii) The Water Sales to Retail and Suburban Resale Customers (including separate listings by major categories such as residential, commercial, municipal and outside users, and separate listing of sales to the top ten suburban purchasers) is attached hereto as **Appendix F** and incorporated herein by reference;
- (iii) There were no percentage increases for the fiscal year ended June 30, 2000 in the rates charged for retain water service inside and outside of the City of San Francisco. There was a thirty-five percent (35%) increase for the fiscal year ended June 30, 2000 in the rate charged for suburban resale customers with a long term contract. The rate became effective with meter readings on or after July 1, 1999. The revenues derived from the suburban resale customers with a long term contract were fifty-three percent (53%) of the revenues derived from water sales during the fiscal year ended June 30, 2000.
- (iv) The total outstanding water revenue bonds of the PUC and other bonds secured by Revenues (outstanding principal amount and lien positions) which is contained in the financial statements of the San Francisco Water Department at pages 14 through 16. Total outstanding water revenue bonds and other bonds secured by Revenues are parity obligations of the Public Utilities Commission.
- (v) Historical Operating Results through June 30, 2000 (including debt service coverage calculations for the water revenue bonds of the Commission and debt service coverage calculations for other bonds secured by Revenues) is attached hereto as **Appendix G** and incorporated herein by reference.

G. Other Matters

This Annual Report is provided solely pursuant to the Continuing Disclosure Certificates and the information contained herein speaks only as of June 30, 2000. 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 Finance Corporation, the PUC, the Parking Authority 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 which 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 the 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 Certificate.

Dated: March , 2001

CITY AND COUNTY OF SAN FRANCISCO

By _____
Controller

**PUBLIC UTILITIES COMMISSION OF
THE CITY AND COUNTY OF
SAN FRANCISCO**

By _____
General Manager

Appendix A

City and County of San Francisco
Comprehensive Annual Financial Report
Fiscal Year 2000-01

<http://www.sfgov.org/site/uploadedfiles/controller/cafr/00/cafr00.pdf>

CITY AND COUNTY OF SAN FRANCISCO

Direct Tax Supported Debt Service

As of June 30, 2000 [1]

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2001	49,795,000	48,232,365	98,027,365
2002	52,290,000	45,632,888	97,922,888
2003	58,560,000	43,087,000	101,647,000
2004	60,630,000	40,229,625	100,859,625
2005	56,550,000	37,397,368	93,947,368
2006	58,955,000	34,622,299	93,577,299
2007	62,270,000	31,372,974	93,642,974
2008	65,800,000	27,926,279	93,726,279
2009	66,150,000	24,513,828	90,663,828
2010	66,625,000	20,855,724	87,480,724
2011	67,625,000	17,339,829	84,964,829
2012	55,475,000	13,751,983	69,226,983
2013	45,880,000	10,774,626	56,654,626
2014	39,455,000	8,240,288	47,695,288
2015	28,045,000	6,048,836	34,093,836
2016	28,055,000	4,540,348	32,595,348
2017	16,625,000	2,961,621	19,586,621
2018	18,510,000	1,940,467	20,450,467
2019	14,505,000	1,058,475	15,563,475
2020	4,225,000	242,938	4,467,938
TOTAL [2] [3]	\$ 916,025,000	\$ 420,769,758	\$1,336,794,758

[1] The City's only outstanding direct tax supported debt is general obligation bonds. This table does not reflect any non-direct tax supported debt such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Total debt includes general obligation bonds repaid from Port revenues and not levied on the City's property tax roll.

[3] Totals reflect rounding to the nearest dollar.

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

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

HISTORICAL METER REVENUES

<u>Fiscal Year</u>	<u>On-Street Meter Revenues</u>	<u>Number of Meters</u>
1989/90	8,889,798	19,411
1990/91	9,267,444	19,945
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

CURRENT PARKING METER RATES AND INVENTORY AS OF JUNE 30, 2000

<u>Category</u>	<u>Hourly Rate</u>	<u>On Street Meters</u>	<u>Off Street Meters</u>	<u>Total Meters</u>
Zone 1	\$1.50	2,966	0	2,966
Zone 2	\$1.00	4,140	0	4,140
Zone 3	\$0.50	13,526	688	14,214
Zone 4	\$1.00	434	0	434
Motorcycle	\$0.05	913	0	913
Totals		21,979	688	22,667

SUPPLEMENTAL REIMBURSEMENTS

The Parking Authority did not receive any supplemental reimbursements as of June 30, 2000.

**HISTORICAL DEBT SERVICE COVERAGE
Fiscal Year ending June 30, 2000**

Meter Revenues	\$12,092,289
Maximum Annual Debt Service¹	\$2,031,750
Coverage	5.95

¹ Based on Maximum Annual Debt Service on the Series 1999-1 Parking Meter Revenue Refunding Bonds.

Source: Department of Parking and Traffic.



APPENDIX D

**CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION**
(A Component Unit of the City and County of San Francisco)

Combined Financial Statements
and Supplemental Combining Financial Statements

June 30, 2000 and 1999

(With Independent Auditors' Report Thereon)

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

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Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

The Board of Directors
City and County of San Francisco Finance Corporation:

We have audited the accompanying combined balance sheets of the City and County of San Francisco Finance Corporation as of June 30, 2000 and 1999, and the related combined statements of revenues, expenditures and changes in fund balances for the years then ended. These combined financial statements are the responsibility of the management of the City and County of San Francisco. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the City and County of San Francisco Finance Corporation as of June 30, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements of the City and County of San Francisco Finance Corporation taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the City and County of San Francisco Finance Corporation. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

KPMG LLP

November 22, 2000



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Combined Balance Sheets

June 30, 2000 and 1999

(in thousands)

	2000				1999			
	Governmental fund types		Account group	Total reporting entity	Governmental fund types		Account group	Total reporting entity
	Debt service	Capital projects	General long-term obligations	Memorandum only	Debt service	Capital projects	General long-term obligations	Memorandum only
Assets								
Deposits and investments with City Treasury	\$ —	16,913	—	16,913	—	33,180	—	33,180
Deposits and investments outside City Treasury	11,957	9,010	—	20,967	13,624	13,651	—	27,275
Capital lease receivables	116,850	—	—	116,850	119,650	—	—	119,650
Interest and other receivables	—	118	—	118	—	477	—	477
Amount available in debt service fund	—	—	96,613	96,613	—	—	75,841	75,841
Amount to be provided for long-term obligations	—	—	20,237	20,237	—	—	43,809	43,809
Total assets	\$ 128,807	26,041	116,850	271,698	133,274	47,308	119,650	300,232
Liabilities and Fund Equity								
Deferred credits and other liabilities	\$ 32,194	4,224	—	36,418	57,433	1,720	—	59,153
Due to primary government	—	—	—	—	—	199	—	199
Bonds payable	—	—	116,850	116,850	—	—	119,650	119,650
Total liabilities	32,194	4,224	116,850	153,268	57,433	1,919	119,650	179,092
Reserved for debt service	96,613	—	—	96,613	75,841	—	—	75,841
Reserved for capital acquisitions	—	21,817	—	21,817	—	45,389	—	45,389
Total fund equity	96,613	21,817	—	118,430	75,841	45,389	—	121,230
Total liabilities and fund equity	\$ 128,807	26,041	116,850	271,698	133,274	47,308	119,650	300,232

See accompanying notes to combined financial statements.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
 Combined Statements of Revenues, Expenditures and Changes in Fund Balances
 Years ended June 30, 2000 and 1999
 (In thousands)

	2000			1999		
	Governmental fund types		Total reporting entity	Governmental fund types		Total reporting entity
	Debt service	Capital projects	Memorandum only	Debt service	Capital projects	Memorandum only
Revenues - interest and investment income	\$ 5,770	—	5,770	4,619	—	4,619
Expenditures - debt service:						
Principal retirement	11,115	—	11,115	7,060	—	7,060
Interest	5,770	—	5,770	4,619	—	4,619
Total expenditures	16,885	—	16,885	11,679	—	11,679
Excess of expenditures over revenues	(11,115)	—	(11,115)	(7,060)	—	(7,060)
Other financing sources (uses):						
Operating transfers in	32,903	2,188	35,091	54,456	2,992	57,448
Operating transfers out	(2,188)	(32,903)	(35,091)	(2,992)	(54,456)	(57,448)
Proceeds from issuance of bonds	1,172	7,143	8,315	4,663	48,132	52,795
Net other financing sources (uses)	31,887	(23,572)	8,315	56,127	(3,332)	52,795
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	20,772	(23,572)	(2,800)	49,067	(3,332)	45,735
Fund balances at beginning of year	75,841	45,389	121,230	26,774	48,721	75,495
Fund balances at end of year	\$ 96,613	21,817	118,430	75,841	45,389	121,230

See accompanying notes to combined financial statements.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

(1) Reporting Entity

The City and County of San Francisco Finance Corporation (the Corporation) was formed in 1991 as a nonprofit public benefit corporation pursuant to voter approval of Proposition C on June 5, 1990 which enabled the City and County of San Francisco (the City) to issue lease revenue bonds with a not to exceed principal amount of \$20 million plus an increase of 5% each year to finance the acquisition of equipment for City departments. During fiscal year 1993, the Corporation was authorized to issue lease revenue bonds of up to \$50 million for the acquisition and construction of a citywide emergency radio communication system, and in fiscal year 1994, the Corporation was authorized to issue an additional \$60 million of municipal obligations for the acquisition and construction of a combined dispatch center (the Center) for the City's emergency 911 communication system.

The Corporation is duly organized and exists under the laws of the State of California for the purpose of providing financial assistance to the City by acquiring, constructing, improving, and installing certain real and personal property together with the appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation is governed by a three-member Board of Directors that was initially appointed by the City's Chief Administrative Officer with the approval of the Mayor and the Board of Supervisors of the City. The City is responsible for providing staff, and pays certain operating expenditures on behalf of the Corporation. Although legally separate from the City, the Corporation is reported as a blended component unit in the City's Comprehensive Annual Financial Report (CAFR) since its sole purpose is to provide lease financing to the City.

The Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment which are in turn leased to the City under the terms of Indenture and Lease Agreements (the Agreements). These assets are then recorded in the City's General Fixed Asset Account Group or within one of the City's Proprietary Funds depending on the department that leased the assets. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purpose.

This presentation differs from the manner in which the Corporation's leasing activities are presented within the City's CAFR. For CAFR financial reporting purposes, the Corporation's lease receivables and deferred credits are eliminated to avoid overstating the City's assets and liabilities since the corresponding fixed assets have already been recorded by the City. Other differences include the manner in which rents and concession income, investment income, operating transfers, bond proceeds and capital expenditures are accounted for. Ultimately, these differences affect the level of fund equity reported by the Corporation.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

The fund equity of the Corporation as reported within these financial statements can be reconciled to the Corporation's fund equity as reported in the City's CAFR as follows (in thousands):

	<u>2000</u>	<u>1999</u>
Debt Service Fund		
Fund equity, as reported in CAFR	\$ 11,957	13,624
Add capital lease receivables not recorded for CAFR reporting purposes	116,850	119,650
Less deferred credits not recorded for CAFR reporting purposes	<u>(32,194)</u>	<u>(57,433)</u>
Fund equity, as reported in the accompanying combined financial statements	\$ <u>96,613</u>	<u>75,841</u>
Capital Projects Funds		
Fund equity, as reported in CAFR	\$ 22,817	46,487
Less arbitrage liability not recorded for CAFR reporting purposes	<u>(1,000)</u>	<u>(1,098)</u>
Fund equity, as reported in the accompanying combined financial statements	\$ <u>21,817</u>	<u>45,389</u>

(2) Summary of Significant Accounting Policies

The accounting policies of the Corporation conform to generally accepted accounting principles applicable to governmental entities. Following is a summary of the more significant accounting policies.

(a) Basis of Presentation - Fund Accounting

The accounts of the Corporation are organized on the basis of fund types and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The various funds are summarized by type in the combined financial statements. Fund types and account group used by the Corporation are described in the following sections.

Governmental Fund Types

Debt Service Fund — The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term obligation principal, interest and related costs.

Capital Projects Funds — The Capital Projects Funds account for financial resources used for the acquisition or construction of major capital assets.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

Account Group

General Long-Term Obligations Account Group — The General Long-Term Obligations Account Group accounts for all long-term obligations of the Corporation.

(b) Basis of Accounting

The Corporation uses the modified accrual basis of accounting to record activity in the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest and principal on long-term obligations which are recorded when paid, are recorded when they are expected to be liquidated with expendable available resources.

Interest and dividend income on investments is recorded as revenue on the modified accrual basis. Changes in the fair value of investments are recorded as deferred revenue at the end of each year. Interest, dividend income and changes in the fair value of investments are recognized as revenue as the funds are applied towards debt service in accordance with the spending or funds flow measurement focus.

Interest income on capital lease receivables is recognized on the modified accrual basis.

(c) Measurement Focus

All governmental fund types are accounted for on a spending or funds flow measurement focus. Only current assets and current liabilities are generally included on the balance sheets. Resources not available to finance expenditures or commitments of the current period are recognized as deferred revenue.

(d) Investments

The Corporation values certain investments at fair value, based on quoted market prices. Money market funds are carried at cost which approximates market.

(e) Capital Leases Receivable

Capital leases receivable consist of certain real and personal property that is leased to the City and are classified as direct financing leases. The lease terms extend through the year 2024.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

(f) *Deferred Credits and Other Liabilities*

Deferred credits and other liabilities in the Debt Service Fund consist primarily of deferred investment income and the portion of bond proceeds that has not been applied towards the acquisition or construction of real and personal property. The deferred credit balance is reduced as the corresponding investments are applied toward the payment of bond issue costs, debt service or the acquisition or construction of real and personal property. Interest income is recognized on the portion of the reduction relating to the payment of interest on the lease revenue bonds.

Deferred credits and other liabilities in the Capital Projects Fund consist of the Corporation's arbitrage liability and liabilities related to capital acquisitions. The liability is reduced as amounts are paid. The arbitrage liability is adjusted periodically to reflect the amount owed in accordance with U.S. Treasury Department regulations.

(g) *Fund Equity*

Reservations of fund balances of the governmental fund types indicate that portion of fund equity which is not appropriable for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of the reserves.

Reservations of fund balance for debt service represent the portion of the fund balance that is reserved for future debt service requirements.

Reservations of fund balance for capital acquisitions represent the portion of fund balance that is reserved for future capital acquisitions.

(h) *Interfund Transfers*

Interfund transfers are recorded as operating transfers in (out).

(i) *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) *Total (Memorandum Only) Columns on Combined Statements*

Total columns on the combined statements are for overview information only. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor are such data comparable to a consolidation. Eliminations of interfund activity have been made within funds but not within fund types.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

(3) Deposits and Investments

Pursuant to the terms of the Agreements, Trustees have been appointed to service certain debt and account for certain cash receipt and disbursement transactions of the Corporation. In accordance with the terms of the Agreements, certain funds have been established with the Trustees to account for the aforementioned transactions which are required to exist as long as any bonds issued by the Corporation remain outstanding.

A portion of the Corporation's cash and investments is maintained by the City Treasurer. The Treasurer invests on behalf of most funds of the City and certain external participants in accordance with the City's investment policy and California State Government Code. The City Treasurer reports on the City's investments to the Board of Supervisors on a monthly basis. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law.

The Corporation's investments outside the City Treasury are invested pursuant to investment guidelines as outlined in the terms of the Agreements. The objectives of the guidelines are, in order of priority, preservation of capital, liquidity, and yield. The guidelines address the soundness of financial instruments in which the Corporation will deposit funds, and the types of investment instruments as permitted by the California Government Code.

The captions on the combined balance sheets related to cash and investments as of June 30 are as follows (in thousands):

	<u>2000</u>	<u>1999</u>
Deposits and investments with City Treasury	\$ 16,913	33,180
Deposits and investments outside City Treasury	<u>20,967</u>	<u>27,275</u>
	<u>\$ 37,880</u>	<u>60,455</u>

The Corporation's investments as of June 30, 2000 and 1999 are categorized below given an indication of the level of custodial risk assumed by the Corporation at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Corporation or its agent in the Corporation's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the Corporation's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the Corporation's name.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

The Corporation's investment portfolio is stated at fair value (except for money market funds which are stated at cost which approximates market) based on quoted market prices.

	(In thousands)			Carrying value
	Category			
June 30, 2000	<u>1</u>	<u>2</u>	<u>3</u>	
Commercial paper	\$ —	—	2,086	2,086
U.S. Government securities	—	—	7,845	7,845
	<u>\$ —</u>	<u>—</u>	<u>9,931</u>	9,931
Noncategorized investments:				
Money market funds				11,036
Pooled cash and investments held by City Treasurer				<u>16,913</u>
				<u>\$ 37,880</u>
June 30, 1999				
Commercial paper	\$ —	—	8,993	8,993
Bankers' acceptances	19,524	—	—	19,524
U.S. Government securities	—	—	7,643	7,643
	<u>\$ 19,524</u>	<u>—</u>	<u>16,636</u>	36,160
Noncategorized investments:				
Money market funds				10,639
Pooled cash and investments held by City Treasurer				<u>13,656</u>
				<u>\$ 60,455</u>

(4) Capital Lease Receivables

The Corporation leases certain real and personal property to the City under the terms of the Agreements. In accordance with the provisions of the Agreements, Trustees have been appointed to receive, deposit and disburse rental payments; to execute, deliver and transfer the bonds; and to perform other functions as contained in the Agreements. The lease repayment terms, which extend through the year 2024, mirror the debt service terms set forth in the corresponding bond agreements.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

The following lists the components of the Corporation's net investment in direct financing leases as of June 30 (in thousands):

	<u>2000</u>	<u>1999</u>
Minimum lease payments receivable	\$ 157,282	164,419
Less unearned interest	<u>(40,432)</u>	<u>(44,769)</u>
	<u>\$ 116,850</u>	<u>119,650</u>

As of June 30, 2000, minimum lease payments to be received for each of the five succeeding fiscal years are as follows (in thousands):

Fiscal year ending June 30:	
2001	\$ 17,348
2002	18,789
2003	17,213
2004	12,677
2005	11,608
Thereafter	<u>79,647</u>
	<u>\$ 157,282</u>

(5) Long-Term Obligations

In the June 5, 1990 election, the Corporation was authorized to issue lease revenue bonds up to \$20 million, plus 5% increase each fiscal year to finance the acquisition of equipment for City departments. The amount of authorized growth during fiscal years ended June 30, 2000 and 1999 was \$1.5 million and \$1.4 million, respectively. In November 1998, the Corporation issued Lease Revenue Bonds, Series 1998A in the amount of \$10.8 million. Interest rates range from 3.13% to 4.00%. The bonds began to mature in April 1999 and continue through April 2005. In November 1999, the Corporation issued Lease Revenue Bonds, Series 1999A in the amount of \$8.3 million. Interest rates range from 4.5% to 4.6%. The bonds mature in October 2005. The above bonds were issued to finance the acquisition and installation of certain equipment to be leased to the City. As of June 30, 2000 and 1999, the cumulative amount authorized was \$31.0 million and \$29.5 million, respectively, of which \$25 million and \$23.8 million, respectively, remain outstanding.

In 1993, the Corporation was authorized to issue lease revenue bonds of up to \$50 million for the acquisition and construction of a citywide emergency radio communication system. In January 1998, the Corporation issued Lease Revenue Bonds, Series 1998-1 in the amount of \$31.25 million. Interest rates range from 4.0% to 5.0%. The bonds mature from April 2000 to April 2018. In February 1999, the Corporation issued the second series of such Lease Revenue Bonds, Series 1999-1 in the amount of \$18.7 million. Interest rates range from 3.50% to 4.50%. The bonds mature from April 2000 to April 2013. The bonds were issued to finance the acquisition, construction and installation of certain equipment relating to the citywide emergency radio system.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

In 1994, the Corporation was authorized to issue lease revenue bonds of up to \$60 million for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system. In July 1998, the Corporation issued the second series of such Lease Revenue Bonds, Series 1998 in the amount of \$23.3 million. Interest rates range from 4.00% to 5.10%. The bonds mature from April 2000 to April 2019. The bonds were issued to finance the acquisition, construction and installation of certain equipment that is part of the 911 information and communications system. As of June 30, 2000 and 1999, the amount of authorized and unissued lease revenue bonds was \$13.4 million.

In 1996, the voters approved the issuance of up to \$157.5 million in lease revenue bonds for the expansion of the Moscone Convention Center. Moscone West, as the facility is known, will provide a 300,000-square-foot, three-level meeting and exhibit facility to be located in close proximity to the existing convention facilities.

(a) Summary of Long-Term Obligations

The following is a summary of changes in long-term obligations for the years ended June 30, 2000 and 1999 (in thousands):

Outstanding balance as of June 30, 1998	\$ 73,915
Additional obligations	52,795
Current maturities	<u>(7,060)</u>
Outstanding balance as of June 30, 1999	119,650
Additional obligations	8,315
Current maturities	<u>(11,115)</u>
Outstanding balance as of June 30, 2000	<u>\$ 116,850</u>

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

Long-term obligations as of June 30, 2000 and 1999 were comprised of the following (in thousands):

	Final maturity date	Interest rates	2000	1999
1992A	1999	3.3 to 6.0%	\$ —	310
1993A	2000	3.8 to 4.8%	—	355
1994A	2001	4.7 to 5.1%	385	750
1995A	2000	4.8 to 5.0%	—	40
1996A	2001	4.0 to 4.4%	350	930
1997	2024	5.1 to 5.5%	22,635	22,635
1997A	2005	4.3 to 4.5%	8,005	10,740
1998-I	2018	4.0 to 5.0%	30,020	31,250
1998A	2005	3.1 to 4.0%	7,975	10,680
1998	2019	4.0 to 5.1%	21,570	23,295
1999-I	2013	3.5 to 4.5%	17,595	18,665
1999A	2005	4.5 to 4.6%	8,315	—
			<u>\$ 116,850</u>	<u>119,650</u>

The future annual debt service requirements of the lease revenue bonds as of June 30, 2000 are as follows (in thousands):

Fiscal year:	
2000-01	\$ 17,348
2001-02	18,789
2002-03	17,213
2003-04	12,677
2004-05	11,608
Thereafter	<u>79,647</u>
	157,282
Less interest	<u>(40,432)</u>
	<u>\$ 116,850</u>

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Notes to Combined Financial Statements

June 30, 2000 and 1999

(b) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Corporation has evaluated each lease revenue bond issue subject to the arbitrage rebate requirements and has deferred recognition of interest income of approximately \$1.0 and \$1.1 million as of June 30, 2000 and 1999, respectively. This arbitrage liability is recorded in deferred credits and other liabilities in the Capital Projects Fund.

(6) Subsequent Event

In November 2000, the Corporation issued \$157.5 million Lease Revenue Bonds consisting of Series 2000-1, 2000-2, and 2000-3. During the initial period of November 2, 2000 to January 4, 2001, the Series 2000-1 and 2000-2 bonds will bear interest at fixed rates of 3.85%. During the initial period of November 2, 2000 to January 11, 2001, the Series 2000-3 bonds will bear interest at fixed rates of 3.75%. After the initial period, each series of the bonds will bear interest at a weekly variable rate until the conversion to a different variable rate structure or a fixed rate. The bonds mature in 2030. These bonds were issued to finance a portion of the costs of acquiring, constructing and improving an expansion to the City's George R. Moscone Convention Center.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Combining Balance Sheets - All Capital Projects Funds

June 30, 2000 and 1999

(In thousands)

	2000			1999		
	Citywide Communication Fund	Finance Corporation Fund	Total	Citywide Communication Fund	Finance Corporation Fund	Total
Assets						
Deposits and investments with City Treasury	\$ 16,913	—	16,913	33,180	—	33,180
Deposits and investments outside City Treasury	2,756	6,254	9,010	6,533	7,118	13,651
Interest and other receivables	118	—	118	477	—	477
Total assets	\$ 19,787	6,254	26,041	40,190	7,118	47,308
Liabilities and Fund Balances						
Liabilities:						
Deferred credits and other liabilities	\$ 3,750	474	4,224	1,148	572	1,720
Due to primary government	—	—	—	199	—	199
Total liabilities	3,750	474	4,224	1,347	572	1,919
Fund balances:						
Reserved for capital acquisitions	16,037	5,780	21,817	38,843	6,546	45,389
Total liabilities and fund balances	\$ 19,787	6,254	26,041	40,190	7,118	47,308

See accompanying independent auditors' report.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
 Combining Statements of Revenues, Expenditures and Changes in Fund Balances - All Capital Projects Funds
 Years ended June 30, 2000 and 1999
 (In thousands)

	2000			1999		
	Citywide Communication Fund	Finance Corporation Fund	Total	Citywide Communication Fund	Finance Corporation Fund	Total
Other financing sources (uses):						
Operating transfers in	\$ 1,623	565	2,188	2,389	603	2,992
Operating transfers out	(24,429)	(8,474)	(32,903)	(40,966)	(13,490)	(54,456)
Proceeds from issuance of bonds	—	7,143	7,143	38,627	9,505	48,132
(Deficiency) excess of other financing sources (indef) over other financing uses	(22,806)	(766)	(23,572)	50	(3,382)	(3,332)
Fund balances, beginning of year	38,843	6,546	45,389	38,793	9,928	48,721
Fund balances, end of year	\$ 16,037	5,780	21,817	38,843	6,546	45,389

See accompanying independent auditors' report.



APPENDIX E

SAN FRANCISCO WATER DEPARTMENT

Financial Statements

June 30, 2000 and 1999

(With Independent Auditors' Report Thereon)

SAN FRANCISCO WATER DEPARTMENT

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Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

Honorable Mayor and Board of Supervisors
City and County of San Francisco, California:

We have audited the accompanying financial statements of the San Francisco Water Department (the Department) of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements referred to above present only the financial activities of the Department and are not intended to present fairly the financial position of the City, and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Water Department of the City and County of San Francisco, California, as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 25, 2000



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

SAN FRANCISCO WATER DEPARTMENT

Balance Sheets

June 30, 2000 and 1999
(in thousands)

Assets	2000	1999
Current assets:		
Deposits and investments with City Treasury	\$ 77.134	64.750
Deposits and investments outside City Treasury	40	57
Receivables:		
Charges for services (net of allowance for doubtful accounts of \$982 in 2000 and 1999)	9.412	8.834
Suburban water rate agreement	2.457	5.807
Interest and other	1.746	1.728
Total receivables	13.615	16.369
Inventories	1.000	802
Total current assets	91.789	81.988
Restricted assets:		
Deposits and investments with City Treasury	45.414	56.858
Deposits and investments outside City Treasury	10.139	9.655
Interest receivable	1.066	1.291
Total restricted assets	56.619	67.804
Fixed assets, net of accumulated depreciation	461.798	429.755
Bond issuance costs (net of accumulated amortization of \$1,199 in 2000 and \$1,086 in 1999)	1.833	1.925
Total assets	\$ 612.039	581.472
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 5.166	3.920
Accrued payroll	5.026	3.634
Accrued vacation and sick leave, current portion	2.977	2.863
Accrued workers' compensation, current portion	964	810
Damage and claims liability, current portion	2.080	739
Deposits, advances and other liabilities	12.509	2.441
Bond interest payable	2.317	2.288
General obligation bonds, current portion	—	830
Revenue bonds, current portion	6.955	6.585
Commercial paper	20.000	—
Total current liabilities	57.994	24.110
Liabilities payable from restricted assets	3.850	1.489
Long-term liabilities:		
Accrued vacation and vested sick leave	3.048	3.221
Accrued workers' compensation	2.733	2.245
Damage and claims liability	11.300	2.705
Revenue bonds	222.262	228.683
Total long-term liabilities	239.343	236.854
Total liabilities	301.187	262.453
Equity:		
Contributed capital	75	75
Retained earnings – reserved for bond requirements and other commitments	5.038	7.169
Retained earnings – unreserved	305.739	311.775
Total retained earnings	310.777	318.944
Total equity	310.852	319.019
Total liabilities and equity	\$ 612.039	581.472

See accompanying notes to financial statements.

SAN FRANCISCO WATER DEPARTMENT

Statements of Revenues, Expenses, and Changes in Retained Earnings

Years ended June 30, 2000 and 1999

(in thousands)

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Charges for services	\$ 132,551	128,347
Rents and concessions	7,881	7,201
Other revenue	3,788	3,028
	<hr/>	<hr/>
Total operating revenues	144,220	138,576
	<hr/>	<hr/>
Operating expenses:		
Personal services	50,523	44,570
Contractual services	6,757	6,991
Materials and supplies	8,055	7,019
Depreciation	22,974	20,195
Bad debts	—	190
Services provided by other departments	29,686	28,825
General and administrative	26,995	16,530
Other	4,416	1,369
	<hr/>	<hr/>
Total operating expenses	149,406	125,689
	<hr/>	<hr/>
Operating (loss) income	(5,186)	12,887
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Federal	—	615
State/other	26	110
Interest and investment income	8,632	6,929
Interest expense	(13,040)	(13,511)
Other nonoperating revenues, net	1,401	4,720
	<hr/>	<hr/>
Net nonoperating expenses	(2,981)	(1,137)
	<hr/>	<hr/>
(Loss) income before operating transfers	(8,167)	11,750
	<hr/>	<hr/>
Operating transfers from the City and County of San Francisco	849	1,406
Operating transfers to the City and County of San Francisco	(849)	(1,696)
	<hr/>	<hr/>
Net operating transfers	—	(290)
	<hr/>	<hr/>
Net (loss) income	(8,167)	11,460
	<hr/>	<hr/>
Retained earnings at beginning of year	318,944	307,484
	<hr/>	<hr/>
Retained earnings at end of year	\$ 310,777	318,944
	<hr/>	<hr/>

See accompanying notes to financial statements.

SAN FRANCISCO WATER DEPARTMENT

Statements of Cash Flows

Years ended June 30, 2000 and 1999
(in thousands)

	2000	1999
Cash flows from operating activities:		
Cash received from customers, including cash deposits	\$ 139,702	118,055
Cash received from tenants for rent	7,881	7,502
Cash paid to employees for services	(49,190)	(43,339)
Cash paid to suppliers for goods and services	(18,180)	(13,692)
Cash paid for judgments and claims	(2,106)	(3,830)
Cash paid for quasi-external transactions	(43,997)	(44,567)
Net cash provided by operating activities	34,110	20,129
Cash flows from noncapital financing activities:		
Operating grants	26	544
Operating transfers in	849	1,406
Operating transfers out	(849)	(1,696)
Net cash provided by noncapital financing activities	26	254
Cash flows from financing activities:		
Proceeds from sale of fixed assets	9,967	3,549
Proceeds from commercial paper borrowings	20,000	—
Interest paid on long-term debt	(14,012)	(13,918)
Principal paid on long-term debt	(7,415)	(6,440)
Acquisition and construction of capital assets	(51,448)	(39,504)
Net cash used in financing activities	(42,908)	(56,313)
Cash flows from investing activities:		
Interest income received	9,267	6,350
Proceeds from sale of investments	20,074	18,912
Purchase of investments	(20,558)	(18,995)
Purchase of restricted deposits and investments	(25,000)	(91,270)
Proceeds from sale or restricted deposits and investments	40,458	66,487
Other investing activities	1,453	1,613
Net cash provided by (used in) investing activities	25,694	(16,903)
Increase (decrease) in cash and cash equivalents	16,922	(52,833)
Cash and cash equivalents:		
Beginning of year	81,755	134,588
End of year	\$ 98,677	81,755

SAN FRANCISCO WATER DEPARTMENT

Statements of Cash Flows

Years ended June 30, 2000 and 1999
(in thousands)

	<u>2000</u>	<u>1999</u>
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$ (5,186)	12,887
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization	22,974	20,195
Provision for uncollectible accounts	—	190
Changes in assets and liabilities:		
Receivables:		
Charges for services, net	(805)	301
Suburban water rate agreement	3,350	(5,807)
Other	350	(335)
Inventories	(198)	(20)
Accounts payable	1,246	356
Accrued payroll	1,392	696
Accrued vacation and vested sick leave	(59)	535
Accrued workers' compensation	642	705
Suburban water rate agreement liability	—	(7,370)
Damage and claims liability	9,936	(2,396)
Deposits, advances and other liabilities	468	192
Net cash provided by operating activities	\$ <u>34,110</u>	<u>20,129</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Deposits and investments with City Treasury:		
Unrestricted	\$ 77,134	64,750
Restricted	45,414	56,858
Deposits and investments outside City Treasury – unrestricted	40	67
Total deposits and investments	<u>122,588</u>	<u>121,675</u>
Less deposits and investments not meeting the definition of cash equivalents	<u>(23,911)</u>	<u>(39,920)</u>
Cash and cash equivalents at end of year on statements of cash flows	\$ <u>98,677</u>	<u>81,755</u>

See accompanying notes to financial statements.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(1) The Financial Reporting Entity

The San Francisco Water Department (the Department) was established in 1930 under the provisions of the City Charter of San Francisco. The Department acquired the fully developed, mature water works for San Francisco on March 3, 1930. Since then, the City and County of San Francisco (the City) has operated and maintained the water works as the San Francisco Water Department. The Board of Supervisors of the City has adopted resolutions (the Water Resolutions) providing for the issuance of various water revenue and refunding bond series. The Department, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the distribution of water to San Francisco and certain suburban areas. On average, the Department delivers 92,752 million gallons of water annually to nearly 2.4 million people within San Francisco and certain suburban areas.

The San Francisco Public Utilities Commission (the Commission), established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which include the Department along with the City's power and sewer utilities (e.g., Hetch Hetchy Water and Power [Hetch Hetchy] and the San Francisco Clean Water Program). The Commission consists of five members appointed by the Mayor, who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy. The Commission is a department of the City and, as such, the financial operations of the Department, Hetch Hetchy, and the San Francisco Clean Water Program are included in the Comprehensive Annual Financial Report of the City as enterprise funds. These financial statements present only the financial operations of the Department and are not intended to present the financial position of the City, and the results of its operations and the cash flows of its proprietary fund types.

(2) Significant Accounting Policies

(a) *Basis of Accounting—Fund Accounting*

The accounts of the Department are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise the Department's assets, liabilities, fund equity, revenues, and expenses. Enterprise Funds account for operations (i) that are financed and operated in a manner similar to private business enterprises where the intent of the Commission is that the Department's costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (ii) where the Commission has decided that periodic determination of revenues earned, expenses incurred, and net income or loss of the Department is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

(b) *Measurement Focus*

The financial activities of the Department are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the balance sheet; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

The Department does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as statements and interpretations of the FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, including restricted assets, with an original purchased maturity of three months or less.

(d) Investments

Certain investments are stated at fair value based on quoted market prices. Changes in fair value are recognized as investment income.

Money market funds and banker's acceptances that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost.

(e) Inventory

Inventory primarily consists of construction materials and maintenance supplies, and is generally valued at cost or average cost. Inventory is expensed as it is consumed.

(f) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets, which range from 3 to 75 years for equipment and 3 to 173 years for buildings, structures, and improvements. No depreciation is recorded in the year of acquisition, and a full year's depreciation is recorded in the year of disposal.

(g) Construction in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction in progress. As facilities are accepted by the Department and become operative, they are transferred to the plant and equipment accounts and depreciated in accordance with the Department's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

(h) Capitalization of Interest

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(i) ***Bond Discount and Issuance Costs***

Bond discount and issuance costs are amortized over the term of the related bonds.

(j) ***Accrued Vacation, Sick Leave***

Accrued vacation pay, which may be accumulated up to ten weeks per employee, is charged to expense as earned. Unused sick leave accumulated through December 6, 1978 is vested and payable upon termination of employment by retirement, death, or disability caused by industrial accident. Sick leave earned subsequent to that date is nonvesting and may be accumulated up to six months per employee.

(k) ***Workers' Compensation***

The Department is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims.

(l) ***Damage and Claims Liability***

The Department is self-insured for general liability and property damage claims. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development, and estimated incurred but not reported claims.

(m) ***Arbitrage Rebate Payable***

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The arbitrage rebate liability was \$496 and \$441 as of June 30, 2000 and 1999, respectively, and is included in accounts payable in the accompanying balance sheet.

(n) ***Refunding of Debt***

Gains or losses occurring from advance refundings of debt are deferred and amortized into interest expense over the remaining life of the old bonds or the life of the new bonds, whichever is shorter.

(o) ***Income Taxes***

As a government agency, the Department is exempt from both federal income taxes and California state franchise taxes.

(p) ***Revenue Recognition***

Revenues from water services furnished to consumers are recorded in the financial statements in the period that meters are read. In general, customers are billed on a cyclical basis with large commercial and industrial customers billed monthly, and all other customers bimonthly.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

In June 1998, the voters passed Proposition H, which effectively froze the water rates at the levels in effect as of January 1, 1998 until July 1, 2006, subject to certain limitations such as to service pre-existing debt. The passage of Proposition H limits the Department's ability to fund future water system maintenance projects and/or meet new federal and state regulations that may arise during the period in which Proposition H is effective.

(q) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(r) Reclassifications

Certain reclassifications have been made to the 1999 financial statements to conform to the 2000 presentation. These reclassifications did not change total assets, liabilities, equity, or net income.

(3) Reserved Retained Earnings

Calculation of reserved retained earnings as of June 30, 2000 (in thousands) is as follows:

Restricted assets:		
Deposits and investments with City Treasury	\$	45,414
Deposits and investments outside City Treasury		10,139
Interest receivable		<u>1,066</u>
Total restricted assets		56,619
Less:		
Bond construction funds		45,414
Accrued interest payable on bond proceeds		2,317
Liabilities payable from restricted assets		<u>3,850</u>
Reserved retained earnings	\$	<u>5,038</u>
Total retained earnings	\$	310,777
Less reserved retained earnings as calculated above		<u>5,038</u>
Unreserved retained earnings	\$	<u>305,739</u>

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(4) Cash and Investments

The captions on the balance sheet related to cash and investments as of June 30, 2000 and 1999 are as follows:

	2000	1999
Deposits and investments with City Treasury:		
Unrestricted – pooled	\$ 77,134	64,750
Restricted – pooled and nonpooled (note 6)	45,414	56,858
Deposits and investments outside City Treasury:		
Unrestricted	40	67
Restricted (note 6)	10,139	9,655
	\$ 132,727	131,330

Investments

The Department's deposits and investments with the City Treasury are invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The City's Comprehensive Annual Financial Report categorizes the level of custodial risk associated with the its pooled cash and investments, which includes \$92,548 and \$69,202 of the Department's total deposits and investments with the City Treasury as of June 30, 2000 and 1999, respectively. The City Treasurer allocates monthly income from the investment of pooled cash in proportion to the Department's end-of-month balances.

The Department is required by its bond indentures to maintain certain revenue bond funds in government obligations, time deposits, or demand deposits. The Department follows the investment policy guidelines of the City Treasurer for its other investments, including those investments held by trustees.

The Department's investments, including those held by trustees, are categorized below to give an indication of the level of custodial risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Department or its agent in the name of the Department. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the Department. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the name of the Department.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

The Department's investment portfolio is stated at fair value (except for certificates of deposit, money market funds and banker's acceptances, which are stated at amortized cost, which approximates market). Fair value is based on quotes obtained from national exchanges as of June 30, 2000.

	Category			Carrying value
	1	2	3	
U.S. Treasury bills (fiscal agent)	\$ 10,139	—	—	10,139
	\$ 10,139	—	—	10,139
Certificate of deposits				30,000
Imprest funds				40
Pooled cash and investments held by the City Treasurer				92,548
				\$ 132,727

(5) Fixed Assets

A summary of changes in fixed assets follows:

	Balance June 30, 1999	Additions	Deletions and transfers	Balance June 30, 2000
Land	\$ 17,217	—	—	17,217
Facilities and improvements	601,426	26,886	—	628,312
Machinery and equipment	52,672	3,357	(96)	55,933
Accumulated depreciation	(282,230)	(22,974)	90	(305,114)
	389,085	7,269	(6)	396,348
Construction-in-progress	40,670	24,780	—	65,450
Total	\$ 429,755	32,049	(6)	461,798

During the years ended June 30, 2000 and 1999, the Department incurred total interest cost of \$14,248 and \$14,249, respectively. Of the total amount of interest cost incurred, \$1,208 and \$738 was capitalized into the cost of constructed assets during the years ended June 30, 2000 and 1999, respectively.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(6) Restricted Assets

Pursuant to the Water Resolutions, all revenues of the Department (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Water Revenue and Refunding Bonds. Accordingly, the revenues of the Department shall not be used for any other purpose while any of its Water Revenue and Refunding Bonds are outstanding, except as expressly permitted by the Water Resolutions. Further, all revenues shall be deposited by the City Treasurer in special funds designated as the Water Department Revenue Fund (the Water Revenue Fund), which must be maintained in the City Treasury. Deposits in the Water Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes pertaining to the financing, maintenance, and operation of the Department in accordance with the following priority:

1. The payment of operation and maintenance expenses for such utility and related facilities.
2. The payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Department may establish or the Board of Supervisors may require with respect to employees of the Department.
3. The payment of principal, interest, reserve, sinking fund, and other mandatory funds created to secure Revenue Bonds issued by the Department for the acquisition, construction, or extension of facilities owned, operated, or controlled by the Department.
4. The payment of principal and interest on General Obligation Bonds issued by the City for the Department's purposes.
5. Reconstruction and replacement as determined by the Department or as required by any of the Department's Revenue Bond ordinance duly adopted and approved.
6. The acquisition of land, real property, or interest in real property for, and the acquisition, construction, enlargement, and improvement of, new and existing buildings, structures, facilities, equipment, appliances, and other property necessary or convenient to the development or improvement of such utility owned, controlled, or operated by the Department; and for any other lawful purpose of the Department including the transfer of surplus funds pursuant to Section 6.407(e) of the City's Charter.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

In accordance with the Water Resolutions, the Department maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2000 and 1999:

	2000	1999
Equity in deposits and investments of the City Treasurer:		
Water Bond Construction Fund	\$ 45,414	56,858
Total	45,414	56,858
Investments held by trustee:		
1991 Water Revenue Bond Fund	3,806	3,615
1992 Water Revenue Bond Fund	3,688	3,486
1996 Water Revenue Bond Fund	2,645	2,554
Total	10,139	9,655
Interest receivable:		
Water Bond Construction Fund	1,066	1,291
Total	1,066	1,291
Total restricted assets	\$ 56,619	67,804

(7) Commercial Paper

In November 1997, the voters approved Propositions A&B, authorizing up to \$304 million in Water Revenue Bonds to fund capital improvements for the Water Enterprise. In May and June 1999, the Public Utilities Commission and the Board of Supervisors respectively approved a commercial paper program to provide short-term financing for capital improvement projects funded under the \$304 million Water Revenue Bond Program. Under the enabling ordinance approved by the Board of Supervisors, the maximum amount of commercial paper that may be outstanding at any given time is \$150 million. As of June 30, 2000 and 1999, the amount of outstanding commercial paper is \$20 million.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

(8) Long-Term Debt

Long-term debt consisted of the following as of June 30, 2000:

	Interest rates	Due serially to	1999	Additional obligation and interest accretion	Current maturities, retirements, and net decreases	2000
General obligation bonds:						
1972 Municipal Water System Bonds	4.00%–5.70%	2000	\$ 830	—	(830)	—
Less current portion of general obligation bonds			(830)	—	830	—
Long-term portion of general obligation bonds			\$ —	—	—	—
Revenue Bonds:						
1991A Revenue Bonds	5.30%–7.40%	2021	\$ 10,354	130	(1,505)	8,979
1992A Revenue Refunding Bonds	5.53%–6.50%	2016	103,705	—	(3,655)	100,050
1996A Revenue Refunding Bonds	5.00%–6.50%	2026	131,255	—	(1,425)	129,830
Unamortized bond discount and refunding loss			(10,046)	—	404	(9,642)
Total revenue bonds			235,268	130	(6,181)	229,217
Less current portion of revenue bonds			(6,585)	—	(370)	(6,955)
Long-term portion of revenue bonds			\$ 228,683	130	(6,551)	222,262

The payments of principal and interest amounts on various bonds are collateralized by future water revenues.

(a) General Obligation Bonds

During 1972, the Department issued \$39,000 of General Obligation Bonds relating to the municipal water system. The bonds had interest rates ranging from 4.0% to 5.7% and matured annually through fiscal year 2000.

The Department has complied with the debt covenants of the General Obligation Bonds.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

(b) *Water Revenue Bonds Series 1991A*

During fiscal year 1991, the Department issued Revenue Bonds of approximately \$70,146 with interest varying from 5.3% to 7.4%. The Revenue Bonds include current interest serial and term bonds with an original principal amount of approximately \$92,985, and serial capital appreciation bonds with an original principal amount of approximately \$1,051. The current interest serial bonds mature through November 1, 2007, and the current interest term bonds mature on November 1, 2010, 2017 and 2020. The serial capital appreciation bonds mature from November 1, 2018 through November 1, 2019. Interest on the capital appreciation bonds is due upon maturity, and is recognized as annual interest expense over the life of the bonds using the interest method. The Department has recognized approximately \$898 and \$769 of unpaid interest on the capital appreciation bonds as of June 30, 2000 and 1999, respectively, and has included it with the outstanding principal balance of the bonds.

(c) *Water Revenue Refunding Bonds Series 1992A*

During fiscal year 1992, the Department issued \$107,180 of Revenue Refunding Bonds (the 1992A Refunding Bonds) pursuant to a crossover refunding of 1987 Water Revenue Refunding Bonds. The proceeds were used to purchase U.S. government securities which were placed into an irrevocable trust to be used for the payment of interest on the 1992 Refunding Bonds, and \$460 per year of principal due on the 1987 Refunding Bonds through November 1, 1997 (crossover date), at which time the remaining proceeds were used to advance refund the 1987 Refunding Bonds which amounted to \$102,570 including a call premium of \$860 and additional interest of \$1,114. The debt service requirements of the 1992 Refunding Bonds after the crossover date are being made from the net revenues of the Department.

(d) *Water Revenue Refunding Bonds Series 1996A*

During fiscal year 1997, the Department issued \$131,470 (face value) of 1996 Series A Water Revenue Bonds. A portion of the bond proceeds was designated for the purpose of refunding \$53,090 (face value) of 1991 Revenue Bonds which were due serially to 2020. The funding extended maturities on the bonds in order to lower required annual payments. After payment of \$852 in issue costs, \$57,012 of the net bond proceeds was transferred to a trustee to be placed in an irrevocable trust to redeem the refunded portion of the 1991 Revenue Bonds. Accordingly, the refunded portion of the 1991 Revenue Bonds was removed from the Department's balance sheet. The advance refunding decreased the Department's total debt service payment over the next 29 years by \$2,475, and provided for an economic gain of \$4,064. The resulting accounting loss of \$5,989 has been deferred and is being amortized over the remaining life of the old debt. As of June 30, 2000 and 1999, the unamortized portion of the accounting loss was \$4,817 and \$5,144 respectively.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

(e) Future Annual Debt Service of Revenue Bonds

The future annual debt service relating to the Revenue Bonds outstanding as of June 30, 2000 is as follows:

	Principal	Interest
Year ending June 30:		
2001	\$ 6,955	13,108
2002	7,350	12,699
2003	7,775	12,247
2004	8,260	11,748
2005	8,775	11,215
Thereafter	199,744	94,549
	238,859	\$ 155,566
Less current portion	(6,955)	
Less unamortized bond discount and refunding loss	(9,642)	
Long-term portion as of June 30, 2000	\$ 222,262	

As defined in the Water Resolutions, the principal and interest of the Department's Revenue and Refunding Bonds are payable from its corresponding revenue as well as monies deposited in certain funds and accounts pledged thereto (note 6).

The Department has complied with the debt covenants of the Revenue Bonds.

(9) Suburban Water Rate Agreement

During 1984, the City entered into a Settlement Agreement and Master Water Sales Contract (the Suburban Water Rate Agreement) with certain suburban customers, which establishes water rates to be charged to those customers (the Suburban Purchasers). Pursuant to the terms of the Suburban Water Rate Agreement, the City is required to establish water rates applicable to the Suburban Purchasers at the beginning of each fiscal year. The suburban water rates are based on an estimate of the level of revenues necessary to recoup the cost of distributing water to the Suburban Purchasers based on the methodology outlined in Article IV of the Suburban Water Rate Agreement (the Suburban Revenue Requirement). During fiscal years 2000 and 1999, the Suburban Revenue Requirement charged to such suburban customers was \$69,993 and \$64,537, respectively. Such amounts are subject to final review by the suburban customers, based on the Suburban Revenue Requirement calculation.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

Pursuant to Article V, Section 5.07 of the Suburban Water Rate Agreement, the City is required to recompute the Suburban Revenue Requirement after the close of each fiscal year based on the actual costs incurred in the delivery of water to the Suburban Purchasers. The difference between the suburban revenues earned during the year and the "actual" Suburban Revenue Requirement is recorded in a separate account (the Balancing Account) and represents the cumulative amount that is either owed to the Suburban Purchasers (if the suburban revenues exceed the Suburban Revenue Requirement) or owed to the City (if the Suburban Revenue Requirement exceeds the suburban revenues paid). In accordance with Article V of the Suburban Water Rate Agreement, the amount recorded in the Balancing Account shall earn interest at a rate equal to the average rate received by the City during the year on the invested pooled funds of the City Treasurer, and shall be taken into consideration in the determination of subsequent suburban water rates. Upon the expiration of the Suburban Water Rate Agreement, the remaining balance in the Balancing Account shall be settled between the City and the Suburban Purchasers. As of June 30, 2000 and 1999, the Suburban Purchasers owed the Department \$2,457 and \$5,807, respectively, under the terms of the Suburban Water Rate Agreement, and these amounts are reflected in the Suburban Water Rate Agreement receivables in the accompanying balance sheet.

(10) Employee Benefits

(a) Retirement Plan

Plan Description—The City has a single-employer defined benefit retirement plan (the Plan) which is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). The Plan covers substantially all full-time employees of the Department along with other employees of the City. The Plan provides basic service retirement, disability, and death benefits based on specified percentages of final average salary, and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102, or by calling (415) 487-7020.

Funding Policy—Contributions are made to the basic plan by both the Department and its employees. Employee contributions are mandatory. Employee contribution rates for 2000 and 1999 were between 7% and 8% as a percentage of covered payroll. The Department is required to contribute at an actuarially determined rate. No Department contributions were required for 2000 and 1999 as the actuarially determined contribution rate as a percentage of covered payroll was 0%. The Department's contributions to the Retirement System on behalf of its employees amounted to \$1,980, \$1,715 and \$1,579 for the years ended June 30, 2000, 1999, and 1998, respectively, which was equal to the required employee contributions for those years.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999
(dollars in thousands)

(b) Health Care Benefits

Health care benefits of the Department's employees, retired employees, and surviving spouses are financed by beneficiaries and the City through the City and County of San Francisco Health Service System, an internal service fund. The Department's contributions covering current and retired employees, which amounted to approximately \$2,519 and \$2,318 in fiscal years 2000 and 1999, respectively, are determined by Charter provisions based on similar contributions made by the ten most populous counties in California. The Department's liability for both current employee and postretirement health care benefits is limited to its annual contribution.

(11) Related Parties

During 2000 and 1999, the Department delivered water without charge to certain City departments which amounted to approximately \$4,800 and \$4,700, respectively, based on metered usage and applicable water rates, which has been excluded from operating revenues in the accompanying financial statements.

Certain administrative costs of the Commission are allocated to the Department. For the years ended June 30, 2000 and 1999, the Commission allocated \$14,932 and \$14,927, respectively, in administrative costs to the Department, which are included in general and administrative expenses in the accompanying financial statements.

The Department purchases water from Hetch Hetchy. This amount, totaling \$19,037 for the years ended June 30, 2000 and 1999 has been included in the services provided by other departments' expense in the accompanying financial statements.

The Department purchases electricity from Hetch Hetchy. This amount, totaling \$3,874 and \$3,822 for the years ended June 30, 2000 and 1999, respectively, has been included in services provided by other departments in the accompanying financial statements.

A variety of City departments provides services such as engineering, purchasing, legal, data processing, telecommunication and human resources to the Department and charges amounts designed to recover those departments' costs. These charges totaling approximately \$5,300 and \$3,800 for the years ended June 30, 2000 and 1999, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Department bills and collects sewer service charges on behalf of the San Francisco Clean Water Program.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(12) Risk Management

The Department is self-insured for general liabilities, property damage, and workers' compensation claims. The risk of loss is managed internally by setting aside assets for claim settlement and recording a liability representing an estimate of the cost of all outstanding claims and incurred but not reported claims. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount and, therefore, it is reasonably possible that claim liabilities could change in the future. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and legal factors. The liabilities have been actuarially determined. Changes in the reported liability for the years ended June 30 resulted from the following:

	2000	1999
Beginning of year liability	\$ 6,499	8,189
Current year claims and changes in estimates	12,684	2,140
Current year claims payments	(2,106)	(3,830)
End of year liability	\$ 17,077	6,499
Damage and claims liability	\$ 13,380	3,444
Accrued workers' compensation	3,697	3,055
	\$ 17,077	6,499

(13) Commitments and Litigation

(a) Commitments

As of June 30, 2000 and 1999, the Department has outstanding commitments with third parties of \$46,679 for various capital projects and other purchase agreements for materials and services.

(b) Grants

Grants that the Department receives are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

(c) Litigation

The Department is a defendant in various legal actions and claims that arise during the normal course of business, although the final disposition of those legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Department.

SAN FRANCISCO WATER DEPARTMENT

Notes to Financial Statements

June 30, 2000 and 1999

(dollars in thousands)

(d) *Environmental Issue*

In July 1999, the staff of the California Regional Water Quality Control Board issued a directive instructing the Commission to develop a remedial action plan that addresses environmental contamination located at certain real property owned by the Department. In response to the directive, the Commission developed a remedial action plan and is currently executing the plan. The Department has funded the initial year of the plan and will be requesting additional funding to complete its plan. Should the Department be subject to further regulatory direction regarding the remediation of the property, the cost of clean-up beyond that to which the Department has committed in its plan cannot be determined. No amount for additional clean-up beyond the Department's plan has been accrued in the accompanying financial statements.

(14) *Subsequent Event*

On October 10, 2000, the Public Utilities Commission authorized the expansion of up to \$250 million of commercial paper outstanding at any time. The commercial paper is sized to be adequate to fund the fiscal years 2000 and 2001 Water Enterprise capital appropriations. The expansion of the maximum amount of commercial paper that can be outstanding at any time was approved by the Board of Supervisors Finance Committee on October 25, 2000.

**San Francisco Water Department
Water Sales to Retail and Suburban Resale Customers
For the Year Ended June 30, 2000**

(in 000's CCF)

<i>RETAIL:</i>	<u>2000</u>
Residential	23,200
Commercial	10,971
Industrial	326
Docks and Shipping	21
Municipal	730 ¹
Outside	<u>2,294</u> ²
<i>Subtotal – Retail Customers</i>	37,542
<i>SUBURBAN RESALE:</i>	
California Water Service Company	17,316
Hayward Municipal Water	9,133
City of Palo Alto	6,720
Alameda County Water	6,164
City of Mountain View	4,933
City of Sunnyvale	4,808
City of Redwood City	5,784
City of Milpitas	3,528
Esterro Municipal Improvement District	2,718
City of Burlingame	2,384
Other Suburban Customers	<u>21,187</u>
<i>Subtotal – Suburban Customers</i>	84,675
Total	122,217

¹ Excludes non-paying municipal @ 1,616 CCF.

² Excludes non-paying municipal @ 90 CCF.

SAN FRANCISCO WATER DEPARTMENT

HISTORICAL OPERATING RESULTS FOR FISCAL YEARS ENDING JUNE 30
(\$'000'S)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
OPERATING INCOME					
Suburban Resale	57,449	60,934	56,106	52,367	72,140
Retail	57,152	62,689	62,202	63,024	63,761
Interest Income	2,763	3,711	4,093	3,660	4,924
Other Income	7,929	10,640	13,753	14,053	13,543
Total Income	125,293	137,974	136,154	133,104	154,368
OPERATING EXPENSES¹					
Hetch Hetchy Assessment	17,442	19,037	19,037	19,037	19,037
Source of Supply	4,650	3,883	3,385	5,067	5,895
Water Treatment	11,784	14,822	16,434	19,987	21,158
Pumping	4,193	4,553	3,598	3,105	3,815
Transmission and Distribution	16,305	18,111	24,796	26,569	26,868
Customer Accounts	5,425	6,732	7,367	8,930	9,369
Administrative and General	22,394	22,163	25,787	23,123	31,720
Total Operating Expenses	82,193	89,301	100,404	105,818	117,862
NET REVENUES	43,100	48,673	35,750	27,286	36,506
DEBT SERVICE					
1987 Water Revenue Bonds	9,836	10,344	8,533	0	0
1991 Water Revenue Bonds ²	5,458	3,538	2,017	2,019	2,011
1992 Water Revenue Bonds ³	0	0	3,250	9,883	9,869
1996 Water Revenue Bonds	0	3,975	6,830	7,009	8,194
Total Water Revenue Bonds Debt Service	15,294	17,857	20,630	18,911	20,074
General Obligation Bonds	1,367	1,409	1,410	1,406	848
Total Debt Service	16,661	19,266	22,040	20,317	20,922
Debt Service Coverage (Revenue)	2.82x	2.73x	1.73x	1.44x	1.82x
Debt Service Coverage (Revenue & G.O Bonds)	2.59x	2.53x	1.62x	1.34x	1.74x

¹ Excludes depreciation.

² 1991 Water Revenues Bonds partially refunded by 1996 Water Revenue Bonds.

³ Debt service on the 1992 Water Revenue Bonds is paid from an escrow fund until November 1, 1997.

Source: Public Utilities Commission, Finance Bureau.