**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS: Moody's: "Aa1"**
**S&P: "AA+"**
**Fitch: "AA"**
**(See "RATINGS" herein)**

*In the opinion of Squire Patton Boggs (US) LLP and Curls Bartling P.C., Co-Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) interest evidenced by the Certificates is exempt from State of California personal income taxes. Interest evidenced by the Certificates may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.*

# $76,020,000
# CITY AND COUNTY OF SAN FRANCISCO
## CERTIFICATES OF PARTICIPATION
## SERIES 2021A
## (MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

**evidencing proportionate interests of the Owners thereof in a Project Lease, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO**

**Dated: Date of Delivery** **Due: April 1, as shown on the inside cover**

*This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The Certificates captioned above (the "Certificates") will be sold to provide funds to: (i) finance and refinance the acquisition of certain real property within the City and County of San Francisco (the "City") and the related site demolition and preparation, including through the retirement of certain taxable commercial paper notes of the City issued for such purpose; (ii) fund a debt service reserve account for the Certificates, and (iii) pay costs of execution and delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the Fifth Supplement to Trust Agreement, dated as of May 1, 2021 (as supplemented and amended, the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by that certain Fifth Supplement to Project Lease, dated as of May 1, 2021 (as so supplemented and amended, the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget and to make necessary annual appropriations therefor. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the site and facilities subject to the Project Lease (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement." The Leased Property generally consists of (i) certain portions of the City's Laguna Honda Hospital, as further described herein, and (ii) the San Bruno Complex (County Jail No. 3), as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY" herein.

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year, commencing October 1, 2021. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

**The Certificates are subject to prepayment prior to maturity as described herein.** See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE PROJECT LEASE AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."

The Certificates were sold by competitive sale on April 21, 2021, pursuant to the terms of an Official Notice of Sale dated April 14, 2021. See "SALE OF THE CERTIFICATES" herein.

**MATURITY SCHEDULE**

(See inside cover)

*The Certificates are offered when, as and if executed and received by the purchaser of the Certificates, subject to the approval of the validity of the Project Lease by Squire Patton Boggs (US) LLP, San Francisco, California and Curls Bartling P.C., Oakland, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about May 12, 2021.*

Dated: April 21, 2021.

**MATURITY SCHEDULE**

(Base CUSIP[1] Number: 79765D)

| Certificate Payment Date (April 1) | Principal Amount | Interest Rate | Yield[2] | CUSIP[1] Suffix |
|---|---|---|---|---|
| 2023 | $2,580,000 | 5.000% | 0.100% | 4V9 |
| 2024 | 2,710,000 | 5.000 | 0.140 | 4W7 |
| 2025 | 2,850,000 | 5.000 | 0.200 | 4X5 |
| 2026 | 2,985,000 | 5.000 | 0.310 | 4Y3 |
| 2027 | 3,130,000 | 5.000 | 0.440 | 4Z0 |
| 2028 | 3,295,000 | 5.000 | 0.570 | 5A4 |
| 2029 | 3,460,000 | 5.000 | 0.700 | 5B2 |
| 2030 | 3,625,000 | 5.000 | 0.800[(c)] | 5C0 |
| 2031 | 3,810,000 | 4.000 | 0.900[(c)] | 5D8 |
| 2032 | 3,965,000 | 4.000 | 1.000[(c)] | 5E6 |
| 2033 | 4,125,000 | 4.000 | 1.100[(c)] | 5F3 |
| 2034 | 4,285,000 | 4.000 | 1.150[(c)] | 5G1 |
| 2035 | 4,460,000 | 4.000 | 1.200[(c)] | 5H9 |
| 2036 | 4,635,000 | 4.000 | 1.250[(c)] | 5J5 |
| 2037 | 4,820,000 | 4.000 | 1.300[(c)] | 5K2 |
| 2038 | 5,010,000 | 4.000 | 1.370[(c)] | 5L0 |
| 2039 | 5,215,000 | 4.000 | 1.450[(c)] | 5M8 |
| 2040 | 5,420,000 | 4.000 | 1.500[(c)] | 5N6 |
| 2041 | 5,640,000 | 4.000 | 1.550[(c)] | 5P1 |

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1 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

2 Reoffering yields furnished by the purchaser of the Certificates. The City takes no responsibility for the accuracy thereof.

(c) Yield calculated to the first optional redemption date of April 1, 2029 at par.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein, other than that provided by the City, has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

This Official Statement is submitted in connection with the execution and sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Certificates, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Certificates at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The underwriters may offer and sell the Certificates to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The execution and sale of the Certificates have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

The City maintains a website and social media accounts. The information presented on such website and social media accounts is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

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**CITY AND COUNTY OF SAN FRANCISCO**

**MAYOR**

London N. Breed

**BOARD OF SUPERVISORS**

Shannon Walton, *Board President, District 10*

Connie Chan, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Dean Preston, *District 5*
Matt Haney, *District 6*
Myrna Melgar, *District 7*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Ahsha Safai, *District 11*

**CITY ATTORNEY**

Dennis J. Herrera*

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

**PROFESSIONAL SERVICES**

*Co-Special Counsel*

Squire Patton Boggs (US) LLP
San Francisco, California

Curls Bartling P.C.
Oakland, California

*Co-Municipal Advisors*

KNN Public Finance, LLC
Berkeley, California

Ross Financial
San Francisco, California

*Co-Disclosure Counsel*

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth,
A Professional Corporation
Newport Beach, California

*Trustee*

U.S. Bank National Association
San Francisco, California

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* Mayor London Breed nominated City Attorney Dennis Herrera to serve as the next General Manager of the San Francisco Public Utilities Commission ("SFPUC"). Mr. Herrera's nomination is subject to confirmation by the SFPUC Commission.

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**APPENDICES**

## OFFICIAL STATEMENT

**$76,020,000**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 2021A**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

**evidencing proportionate interests of the Owners thereof in a Project Lease,**
**including the right to receive Base Rental payments to be made by the**
**CITY AND COUNTY OF SAN FRANCISCO**

## INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects) (the "Certificates"). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

This Introduction is designed to give an overview of the transaction and serve as a guide to the contents of this Official Statement.

<u>*Note to Investors*</u>*:* Since the posting of the Preliminary Official Statement on April 14, 2021, Mayor London Breed nominated City Attorney Dennis Herrera to serve as the next General Manager of the San Francisco Public Utilities Commission ("SFPUC"). Mr. Herrera's nomination is subject to confirmation by the SFPUC Commission.

*Overview of the Transaction.* The City, exercising its Charter powers to convey and lease property for City purposes, has conveyed the Leased Property (as defined hereafter) to U.S. Bank National Association, as trustee (the "Trustee") under the Property Lease (the "Original Property Lease"), dated as of May 1, 2009, by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and as supplemented and amended by that certain Fifth Supplement to Property Lease (the "Fifth Supplement to Property Lease"), dated as of May 1, 2021 (as so supplemented and amended, the "Property Lease"), at a nominal annual rent. The Trustee has leased the Leased Property back to the City for the City's use under the Project Lease (the "Original Project Lease"), dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and as supplemented and amended by that certain Fifth Supplement to Project Lease (the "Fifth Supplement to Project Lease"), dated as of May 1, 2021 (as so supplemented and amended, the "Project Lease").

The Fifth Supplement to Property Lease and the Fifth Supplement to Project Lease will amend the Original Property Lease and the Original Project Lease (both as previously supplemented and amended), respectively, to, among other things, add the South Residence building of Laguna Honda Hospital so as to expand the scope of the Leased Property. Upon the execution of the Fifth Supplement to Property Lease and the Fifth Supplement to Project Lease, the Leased Property will generally consist of (i) certain portions of the City's Laguna Honda Hospital (including the South Residence building, the North Residence building and the Pavilion building and their related land footprints on the Laguna Honda Hospital campus), and (ii) the San Bruno Complex (County Jail No. 3), each as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY." The City will be obligated under the Project Lease to pay Base Rental payments and other payments to the Trustee each year during the term of the Project Lease (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of the Base Rental payments it will receive from the City. The Trustee will apply the Base Rental payments it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement (the "Original Trust Agreement"), dated as of May 1, 2009, by and between the City and the Trustee, as previously supplemented and amended and as supplemented and amended by that certain Fifth Supplement to Trust Agreement (the "Fifth Supplement to Trust Agreement"), dated as of May 1, 2021 (as so supplemented and amended, the "Trust Agreement"), which governs the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City's direction, to (i) finance and refinance the acquisition of certain real property within the City and the related site demolition and preparation, including through the retirement of certain taxable commercial paper notes of the City issued for such purpose, (ii) fund the 2021A Reserve Account of the Reserve Fund established for the Certificates under the Trust Agreement, and (iii) pay costs of execution and delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY" herein.

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with (i) all of the $42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) (the "2012A Certificates"), currently outstanding in the aggregate principal amount of $32,580,000, (ii) all of the $116,460,000 City and County of San Francisco Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the "2019-R1 Certificates"), currently outstanding in the aggregate principal amount of $107,005,000, and (iii) all of the $70,640,000 City and County of San Francisco Refunding Certificates of Participation Series 2020-R1 (Multiple Capital Improvement Projects) (the "2020-R1 Certificates" and, together with the outstanding 2012A Certificates and 2019-R1 Certificates, the "Prior Parity Certificates"), currently outstanding in the aggregate principal amount of $70,640,000.

On October 11, 2019, the City authorized the execution and delivery of these Certificates and other Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. On November 6, 2020, the City also authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $157,000,000. The City may decide not to have the Additional Certificates authorized on October 11, 2019 (other than the Certificates), on December 20, 2019 and on November 6, 2020 executed and delivered in whole or in part. The City may also authorize the execution and delivery of other Additional Certificates in the future.

*Guide to this Official Statement.* The Project and the Leased Property are described herein in the section "PLAN OF FINANCE AND THE LEASED PROPERTY." The application of the proceeds of sale of the Certificates is described in the sections "PLAN OF FINANCE AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and its governance is provided in APPENDIX A. The City's most recent comprehensive annual financial report appears in APPENDIX B. A summary of the Project Lease, the Property Lease, and the Trust Agreement are provided in APPENDIX C.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" and APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, the Ordinance (as defined herein) providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the "State"), the City's Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and, therefore, such materials are not incorporated herein by such references and are not deemed a part of this Official Statement.

## THE CITY AND COUNTY OF SAN FRANCISCO

***General.*** The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The City estimates that the City's population in fiscal year 2019-20 was 883,083.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, healthcare and higher education. The California State Supreme Court is also based in San Francisco.

**The COVID-19 pandemic is a significant development materially adversely affecting the City's population, finances and outlook. Many aspects of the City's future finances and operations and the local economy have been and are expected to continue to be materially adversely impacted by the COVID-19 pandemic. Accordingly, any historical information or budgets and projections described in this Official Statement, including Appendices A and B attached hereto, which predate the COVID-19 pandemic or do not fully reflect its potential impact, should be considered in light of a possible or probable negative impact from the COVID-19 pandemic. To date, City economic and tax revenue losses associated with the COVID-19 pandemic have been stark and immediate. Impacts from the COVID-19 pandemic have been and are expected to be significant to many aspects of the local economy and City operations and finances. These impacts involve many developing and unknown outcomes. The projections and other forward-looking statements in this Official Statement are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. See "CERTAIN RISK FACTORS – Public Health Emergencies" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PUBLIC HEALTH EMERGENCY – COVID-19" herein. The City may post certain reports and other information relating to the COVID-19 pandemic when available on its investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure.**

The City has historically been a major convention and tourist destination. However, the COVID-19 pandemic has significantly adversely impacted, and is expected to continue to adversely impact tourism and convention activities in the City. According to the San Francisco Travel Association, a nonprofit membership organization ("SFTA"), during the calendar year 2020, approximately 10.2 million tourists visited the City, with total spending estimated at $2.3 billion, including spending from meetings and conventions. In calendar year 2019, SFTA reports that approximately 26.2 million tourists visited the City, with total spending estimated at $10.2 billion, including spending from conventions, trade shows and group meetings.

The City is also a leading center for financial activity in the State. The headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank are located in the City.

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2019-20 was $140,493. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten ("TK") schools, 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2019-20, SFO serviced approximately 40.5 million passengers (compared to 57.0 million passengers in fiscal year 2018-19) and handled 490,073 metric tons of cargo (compared to 564,485 in fiscal year 2018-19). The City is also served by the Bay Area Rapid Transit District ("BART," an electric commuter rail service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City (investors should note that in fiscal year 2019-20, telecommuting resulting from emergency stay-at-home orders caused ridership into and within the City to decline significantly (see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Commuting Pattern Changes")). The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

***Government.*** San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's final adopted budget for fiscal years 2020-21 and 2021-22 totals $13.6 billion and $12.4 billion, respectively. The General Fund portion of each year's final adopted budget is $6.2 billion in fiscal year 2020-21 and $5.8 billion in fiscal year 2021-22, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). According to the City's Treasurer and Tax Collector, at the start of fiscal year 2020-21, total net assessed valuation of taxable property in the City was approximately $301.4 billion, which represented an increase of 7.2% over fiscal year 2019-20.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

## THE CERTIFICATES

### Authority for Execution and Delivery

The Certificates will be executed and delivered pursuant to the Trust Agreement. Each Certificate will represent a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to the Project Lease. The City will be obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the Leased Property. The Leased Property will be leased by the City to the Trustee pursuant to the Property Lease.

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 351-08, adopted on July 29, 2008 and signed by the Mayor on August 5, 2008. The Fifth Supplement to Trust Agreement and the Fifth Supplement to Project Lease were approved by the Board of Supervisors of the City by its Ordinance No. 226-19 and Ordinance No. 227-19, each adopted on October 1, 2019 and signed by the Mayor on October 11, 2019 (collectively, the "Ordinance"). The Ordinance authorized the execution and delivery of up to $156,600,000 aggregate principal amount of Additional Certificates under the Trust Agreement, including the Certificates. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, because the Trustee is neither a public agency nor a nonprofit corporation. The City has obtained a judgment in the Superior Court for the City and County of San Francisco validating the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. No judicial validation action has been pursued or is expected to be pursued with respect to the validity of the Fifth Supplement to Project Lease, the Fifth Supplement to Property Lease, or the Fifth Supplement to Trust Agreement. See "VALIDATION ACTION" herein.

### Payment of Principal and Interest

The principal evidenced and represented by the Certificates will be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental payments designated as principal components coming due on each April 1 of each such year. Payment of the principal and premium, if any, of the Certificates upon prepayment or on the Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee. Principal and premium will be payable in lawful money of the United States of America.

Interest evidenced and represented by the Certificates will be payable on April 1 and October 1 of each year, commencing on October 1, 2021 (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental payments designated as interest components coming due on or prior to each of such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by wire transfer to any Owner of $1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date; provided, however, that payments of defaulted interest will be payable to the person in whose name such Certificate is registered at the close of business on a special record date fixed therefor by the Trustee, which will not be more than 15 days and not less than 10 days prior to the date of the proposed payment of defaulted interest.

**Form and Registration**

The Certificates will be executed and delivered in the aggregate principal amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Prepayment of the Certificates**

*Optional Prepayment*

The Certificates with a Certificate Payment Date on or before April 1, 2029 will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 2030 are subject to prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after April 1, 2029, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a prepayment price equal to 100% of the principal amount represented by the Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

*Special Mandatory Prepayment*

The Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date, at a Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to the Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Certificates.

*Selection of Certificates for Prepayment*

Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all of the Outstanding Certificates are to be prepaid, the City will direct the principal amount of the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner that the Trustee in its sole discretion deems fair and appropriate; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

*Notice of Prepayment*

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 30 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry only system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment will specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto will cease to accrue and be payable. Neither failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such prepayment.

*Conditional Notice of Prepayment; Cancellation of Optional Prepayment*

The City may provide a conditional notice of prepayment and such notice will specify its conditional status.

If the Certificates are subject to optional prepayment, and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, the prepayment will be canceled, and in such case, the City, the Trustee and the Owners will be restored to their former positions and rights under the Trust Agreement. Such a cancellation of an optional prepayment at the election of the City will not constitute a default under the Trust Agreement, and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee will send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein will affect the sufficiency of such cancellation.

In the event the City gives notice to the Trustee of its intention to exercise its prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice had been given.

*Purchase of Certificates*

Unless expressly provided otherwise in the Trust Agreement, money held in the Base Rental Fund under the Trust Agreement in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least ten days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City under the Trust Agreement shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement as described in this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay such Certificates. All Certificates so purchased shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

## PLAN OF FINANCE AND THE LEASED PROPERTY

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with all of the currently outstanding Prior Parity Certificates.

### Plan of Finance

A portion of the proceeds of the Certificates will be used to finance and refinance the Project, consisting of the City's acquisition of certain real property located at 814-820 Bryant Street, 444 6th Street, 470 6th Street and 1828 Egbert Avenue in San Francisco, California (collectively, the "HOJ Property"), including through the retirement of certain taxable commercial paper notes of the City issued for the acquisition of the HOJ Property. The HOJ Property will not be part of the Leased Property, which is described under "– The Leased Property" below.

### The Leased Property

Upon the execution of the Fifth Supplement to Property Lease and the Fifth Supplement to Project Lease, the Leased Property will generally consist of the site and facilities of (i) the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building on the campus of Laguna Honda Hospital, together with certain limited rights of ingress and egress and appurtenant rights (collectively, the "Laguna Honda Hospital Portion" of the Leased Property) and (ii) the San Bruno Complex (County Jail No. 3).

Laguna Honda Hospital was established in 1866 as an almshouse for the City's poor and homeless. Laguna Honda Hospital is currently located at 375 Laguna Honda Boulevard in the City, and is operated by the City's Department of Public Health. In 2009, the City completed its Laguna Honda Hospital Replacement Program which included the construction of the Pavilion building, the North Residence building and the South Residence building. Together, these three buildings provide approximately 780 residents with long-term care regardless of their ability to pay, including skilled nursing, AIDS-related services, dementia services, hospice, rehabilitation and acute care. The City also provides adult day health care and senior nutrition programs through these facilities. The 62-acre Laguna Honda Hospital site is on property owned by the City and located on the western slopes of Twin Peaks, near the geographic center of the City, and the Laguna Honda Hospital Portion of the Leased Property represents only a portion of such site.

The Pavilion building is a 148,039-square foot, four-story building, housing offices, clinics and the mezzanine and space for other associated support activities of Laguna Honda Hospital. The Pavilion building is designed to accommodate 60 beds on one of its floors. The North Residence building is a 208,377-square foot, six-story building serving as hospital facilities. The North Residence building is designed to accommodate 420 beds on six floors. The South Residence building is a 156,993-square foot, six-story building serving as hospital facilities. The South Residence building is designed to accommodate 300 beds on five of its floors.

The San Bruno Complex (County Jail No. 3) sits on 158 acres of land located at 1 Moreland Drive, San Bruno, California. The San Bruno Complex (County Jail No. 3) is the City's newest and largest jail facility constructed as a replacement facility for the then-existing jail on the site, and was completed in 2005. The 768-bed facility consists of 283,257 square feet, including a guard tower, an administrative services area, an attorney visiting area, staff exercise areas and locker rooms, a maintenance area and central plant, and a kitchen and laundry facility sufficient to accommodate both jail facilities.

Certain information regarding the Leased Property is summarized below:

**Summary of Certain Information Regarding the Leased Property**

| Facility | Address | Completion Date of Improvements | Gross Square Feet (Building) | Estimated Value[(1)] |
|---|---|---|---|---|
| Laguna Honda Hospital (North Residence, South Residence & Pavilion Building) | 375 Laguna Honda Blvd., San Francisco, CA | 2009 | 513,409 | \$800,000,000[(2)] |
| San Bruno Complex (County Jail No. 3) | 1 Moreland Drive, San Bruno, CA | 2005 | 283,257 | \$178,436,701[(3)] |

(1) Such estimated values do not necessarily reflect the fair market value, or the actual sales price upon a sale or actual rent upon commercial leasing of the Leased Property. Given the size and unique nature of each of the components of the Leased Property, comparable sales were not available to estimate value. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES" herein.

(2) The amount represents the City's estimated valuation as of September 23, 2019 based on both a cost/replacement and income approach.

(3) Based on the insured value as of July 1, 2020.

*Source: City and County of San Francisco.*

The Project Lease will require the City to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the South Residence building, which policy, when combined with the policy or policies of title insurance issued in connection with the issuance and delivery of the Prior Parity Certificates (and the property associated with the Pavilion building, the North Residence building and the San Bruno Complex (County Jail No. 3)), will be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and the then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, and showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates and such outstanding Prior Parity Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance" and "– Fifth Supplement to Project Lease."

The City may substitute other improved real property for all or part of the Leased Property under the conditions set forth in the Project Lease. There is no requirement that any substitute property be of the same or a similar nature or function as the then existing Leased Property, and there is no requirement that any substitute property have a market value or fair rental value as great as the then existing Leased Property or such portion thereof that is sought to be released from the Project Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Substitution, Release, and Addition of Leased Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

The lease term with respect to the Leased Property or a designated portion thereof will end on April 1, 2041, unless such term is extended or sooner terminated as provided in the Project Lease.

## ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Certificates:

| | |
|---|---|
| ***Sources of Funds*:** | |
| Certificate Par Amount | $76,020,000.00 |
| Original Issue Premium | 16,413,509.00 |
| *Less:* Purchaser's Discount | (190,050.00) |
| *Total Sources* | $92,243,459.00 |
| ***Uses of Funds*:** | |
| Deposit to 2021A Project Account[(1)] | $85,613,360.18 |
| Deposit to 2021A Reserve Account | 5,872,650.00 |
| Costs of Delivery[(2)] | 757,448.82 |
| *Total Uses* | $92,243,459.00 |

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(1) Of the amount deposited in the 2021A Project Account, $83,981,373.18 will be applied to the payment of commercial paper issued to finance the Project and $167,180.00 (representing 0.2% of the 2021A Project Account for project costs) will be used to pay the Controller's City Services Auditor fee.

(2) Includes amounts for administrative costs to the City for the issuance of the Certificates, legal fees, Trustee's fees and expenses, municipal advisory fees, rating agency fees, appraisals and property condition report fees, title insurance fees, printing costs and any other delivery costs, and rounding amounts.

## CERTIFICATE PAYMENT SCHEDULE

The Trust Agreement requires that Base Rental payments payable by the City pursuant to the Project Lease on each March 25 and September 25 be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply amounts in the Base Rental Fund as necessary, on April 1 and October 1 of each year, commencing on October 1, 2021, to make interest payments or principal and interest payments, as applicable, with respect to the Certificates as the same become due and payable, as shown in the table below.

The Prior Parity Certificates are currently outstanding and payable from Base Rental payments required to be made with respect to the Leased Property under the Project Lease. The following table shows total annual Base Rental payments due with respect to the Certificates and the Prior Parity Certificates secured by Base Rental payments under the Project Lease:

| | Certificates | | | | | | |
|---|---|---|---|---|---|---|---|
| Payment Date | Principal | Interest | Total | 2012A Certificates | 2019-R1 Certificates | 2020-R1 Certificates | Total Fiscal Year Annual Debt Service |
| 10/1/2021 | | $1,269,205.14 | $1,269,205.14 | $628,362.50 | $2,021,331.25 | $5,859,410.00 | |
| 4/1/2022 | | 1,643,575.00 | 1,643,575.00 | 2,218,362.50 | 9,391,331.25 | 1,359,350.00 | $24,390,927.64 |
| 10/1/2022 | | 1,643,575.00 | 1,643,575.00 | 596,562.50 | 1,837,081.25 | 5,979,350.00 | |
| 4/1/2023 | $2,580,000.00 | 1,643,575.00 | 4,223,575.00 | 2,246,562.50 | 9,582,081.25 | 1,243,850.00 | 27,352,637.50 |
| 10/1/2023 | | 1,579,075.00 | 1,579,075.00 | 563,562.50 | 1,643,456.25 | 6,093,850.00 | |
| 4/1/2024 | 2,710,000.00 | 1,579,075.00 | 4,289,075.00 | 2,283,562.50 | 9,768,456.25 | 1,122,600.00 | 27,343,637.50 |
| 10/1/2024 | | 1,511,325.00 | 1,511,325.00 | 529,162.50 | 1,440,331.25 | 5,802,600.00 | |
| 4/1/2025 | 2,850,000.00 | 1,511,325.00 | 4,361,325.00 | 2,299,162.50 | 9,975,331.25 | 1,005,600.00 | 26,924,837.50 |
| 10/1/2025 | | 1,440,075.00 | 1,440,075.00 | 502,612.50 | 1,226,956.25 | 5,925,600.00 | |
| 4/1/2026 | 2,985,000.00 | 1,440,075.00 | 4,425,075.00 | 2,327,612.50 | 10,191,956.25 | 882,600.00 | 26,922,487.50 |
| 10/1/2026 | | 1,365,450.00 | 1,365,450.00 | 466,112.50 | 1,002,831.25 | 6,057,600.00 | |
| 4/1/2027 | 3,130,000.00 | 1,365,450.00 | 4,495,450.00 | 2,356,112.50 | 10,407,831.25 | 753,225.00 | 26,904,612.50 |
| 10/1/2027 | | 1,287,200.00 | 1,287,200.00 | 437,762.50 | 767,706.25 | 6,188,225.00 | |
| 4/1/2028 | 3,295,000.00 | 1,287,200.00 | 4,582,200.00 | 2,392,762.50 | 10,652,706.25 | 617,350.00 | 26,925,912.50 |
| 10/1/2028 | | 1,204,825.00 | 1,204,825.00 | 388,887.50 | 570,006.25 | 6,337,350.00 | |
| 4/1/2029 | 3,460,000.00 | 1,204,825.00 | 4,664,825.00 | 2,413,887.50 | 10,840,006.25 | 474,350.00 | 26,894,137.50 |
| 10/1/2029 | | 1,118,325.00 | 1,118,325.00 | 338,262.50 | 415,956.25 | 6,454,350.00 | |
| 4/1/2030 | 3,625,000.00 | 1,118,325.00 | 4,743,325.00 | 2,443,262.50 | 11,000,956.25 | 354,750.00 | 26,869,187.50 |
| 10/1/2030 | | 1,027,700.00 | 1,027,700.00 | 301,425.00 | 257,181.25 | 6,579,750.00 | |
| 4/1/2031 | 3,810,000.00 | 1,027,700.00 | 4,837,700.00 | 2,486,425.00 | 11,162,181.25 | 230,250.00 | 26,882,612.50 |
| 10/1/2031 | | 951,500.00 | 951,500.00 | 246,800.00 | 93,606.25 | 6,680,250.00 | |
| 4/1/2032 | 3,965,000.00 | 951,500.00 | 4,916,500.00 | 2,521,800.00 | 2,073,606.25 | 133,500.00 | 17,617,562.50 |
| 10/1/2032 | | 872,200.00 | 872,200.00 | 201,300.00 | 72,568.75 | 6,743,500.00 | |
| 4/1/2033 | 4,125,000.00 | 872,200.00 | 4,997,200.00 | 2,566,300.00 | 2,097,568.75 | 67,400.00 | 17,618,037.50 |
| 10/1/2033 | | 789,700.00 | 789,700.00 | 154,000.00 | 49,787.50 | 6,807,400.00 | |
| 4/1/2034 | 4,285,000.00 | 789,700.00 | 5,074,700.00 | 2,619,000.00 | 2,119,787.50 | | 17,614,375.00 |
| 10/1/2034 | | 704,000.00 | 704,000.00 | 104,700.00 | 26,500.00 | | |
| 4/1/2035 | 4,460,000.00 | 704,000.00 | 5,164,000.00 | 2,669,700.00 | 2,146,500.00 | | 10,815,400.00 |
| 10/1/2035 | | 614,800.00 | 614,800.00 | 53,400.00 | | | |
| 4/1/2036 | 4,635,000.00 | 614,800.00 | 5,249,800.00 | 2,723,400.00 | | | 8,641,400.00 |
| 10/1/2036 | | 522,100.00 | 522,100.00 | | | | |
| 4/1/2037 | 4,820,000.00 | 522,100.00 | 5,342,100.00 | | | | 5,864,200.00 |
| 10/1/2037 | | 425,700.00 | 425,700.00 | | | | |
| 4/1/2038 | 5,010,000.00 | 425,700.00 | 5,435,700.00 | | | | 5,861,400.00 |
| 10/1/2038 | | 325,500.00 | 325,500.00 | | | | |
| 4/1/2039 | 5,215,000.00 | 325,500.00 | 5,540,500.00 | | | | 5,866,000.00 |
| 10/1/2039 | | 221,200.00 | 221,200.00 | | | | |
| 4/1/2040 | 5,420,000.00 | 221,200.00 | 5,641,200.00 | | | | 5,862,400.00 |
| 10/1/2040 | | 112,800.00 | 112,800.00 | | | | |
| 4/1/2041 | 5,640,000.00 | 112,800.00 | 5,752,800.00 | | | | 5,865,600.00 |
| Total | $76,020,000.00 | $38,346,880.14 | $114,366,880.14 | $42,080,825.00 | $122,835,600.00 | $89,754,060.00 | $369,037,365.14 |

## SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES

### Source of Payment

The Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease has a final termination date of April 1, 2041, or upon early payment of all of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates, unless extended upon an event of abatement. See "– Abatement of Base Rental Payments" below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, its rights with respect to and its interest in and to all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund pursuant to the Trust Agreement and, provided, however, that the 2021A Reserve Account of the Reserve Fund and the 2021A Project Account shall secure only the Certificates), including all Base Rental payments received by the Trustee from the City pursuant to the Project Lease, all amounts on hand from time to time in the 2021A Reserve Account of the Reserve Fund, and any additional property that may from time to time be subjected to the lien of the Trust Agreement by the City or anyone on its behalf, subject only to the provisions of the Trust Agreement, the Property Lease and the Project Lease. The City will pay to the Trustee the Base Rental payments to the extent required under the Project Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the scheduled principal and interest represented by the Certificates.

### Parity Obligations

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with the Prior Parity Certificates described under "CERTIFICATE PAYMENT SCHEDULE," and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement and the Project Lease. On October 11, 2019, the City authorized the execution and delivery of these Certificates and other Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. On November 6, 2020, the City also authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $157,000,000. The City may decide not to have the Additional Certificates authorized on October 11, 2019 (other than the Certificates), on December 20, 2019 and on November 6, 2020 executed and delivered in whole or in part. The City may also authorize the execution and delivery of other Additional Certificates in the future.

### Covenant to Budget and Right to Re-let

The City has covenanted in the Project Lease to take such action as may be necessary to include all Rental Payments in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Project Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law.

If the City breaches its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and the City fails to remedy such breach with all reasonable dispatch within 60 days after written notice from the Trustee, or if such breach cannot be remedied within such 60-day period, the City fails to institute corrective action within such 60 day period and diligently pursue such action to completion, the

Trustee may either re-let the Leased Property for the account of the City or may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis. Notwithstanding any other provision of the Project Lease or the Trust Agreement, in no event will the Trustee have any right to accelerate the payment of any Base Rental under the Project Lease, and the remedy to re-let the Leased Property is subject to applicable laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. See "CERTAIN RISK FACTORS – Limited Recourse on Default; Re-letting of the Leased Property."

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2020." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

**Limited Obligation**

The obligation of the City to make Base Rental or Additional Rental payments under the Project Lease does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

**Base Rental Payments; Additional Rental**

*Base Rental Payments.* The City agrees in the Project Lease that it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee is required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any Fiscal Year will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. The Project Lease provides that the City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Project Lease is absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of the Project Lease regarding rental abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Project Lease, commencing with respect to the Certificates on September 25, 2021, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of the Leased Property or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City. The City has covenanted in the Project Lease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Project Lease in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Project Lease. See "– Covenant to Budget and Right to Re-let" above.

*Additional Rental.* Additional Rental payments due from the City to the Trustee under the Project Lease include, among other things, all taxes and insurance premiums, all fees, costs and expenses of the Trustee in connection with the Trust Agreement not otherwise paid or provided for out of the proceeds of the sale of the Certificates, deposits required to be made to the Rebate Fund, if any, all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement, and amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

**Abatement of Base Rental Payments**

Rental Payments will be subject to abatement during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the 2021A Reserve Account of the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding amounts described in clauses (i), (ii) and (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction, condemnation or discovery of such title defect and end with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect, as applicable. In the event of abatement, the term of the Project Lease may be extended until all amounts due under the Project Lease and the Trust Agreement are fully paid, but in no event later than April 1, 2051. See "CERTAIN RISK FACTORS – Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Project Lease requires the City to maintain rental interruption insurance with third party providers in an amount not less than the aggregate Base Rental payable by the City pursuant to the Property Lease for a period of at least 24 months. Pursuant to the Project Lease, rental interruption insurance is required to insure only against loss of rental income from the Leased Property caused by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by the City's all risk property insurance on the Leased Property. The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease except as described under "– Insurance with Respect to the Leased Property" below, and the City does not currently have earthquake or flood insurance on the Leased Property. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates and other certificates of participation executed and delivered under the Trust Agreement. The City is also required by the Project Lease to use insurance proceeds to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy thereof, or to prepay certificates of participation outstanding under the Trust Agreement such that resulting Rental Payments are sufficient to pay all amounts due under the Project Lease and the Trust Agreement with respect to such certificates of participation remaining Outstanding. See "– Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Project Lease. See "– Substitution, Release and Addition of Leased Property" below. In addition, the Trust Agreement establishes a 2021A Reserve Account of the Reserve Fund and requires the Trustee to use any moneys on deposit in said account of the Reserve Fund to make payments of principal and interest represented by the Certificates. See "– Reserve Fund; 2021A Reserve Account," below.

**Reserve Fund; 2021A Reserve Account**

The Trust Agreement established a Reserve Fund held by the Trustee, and within the Reserve Fund, there will be created a 2021A Reserve Account to be held with the Trustee. The 2021A Reserve Account will only be available to support payments with respect to the Certificates, and not the Prior Parity Certificates or any Additional Certificates. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the 2021A Reserve Account a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement with respect to the Certificates. The Reserve Requirement for the Certificates, as designated in the Fifth Supplement to Trust Agreement, is $5,872,650.00. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS" for the definition of "Reserve Requirement."

Under the Trust Agreement, the 2021A Reserve Account is required to be maintained by the Trustee until the Base Rental relating to the Certificates is paid in full pursuant to the Project Lease or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment for the Certificates may, at the City's option, be paid from the 2021A Reserve Account.

A Credit Facility in the amount of the Reserve Requirement may be substituted by the City at any time for all or a portion of the funds held by the Trustee in the 2021A Reserve Account, provided that (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy, such Credit Facility shall be for the term of the Certificates. Amounts on deposit in the 2021A Reserve Account for which a Credit Facility has been substituted shall be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee shall transfer from the 2021A Reserve Account for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that such amounts will only be available for the Certificates and not the Prior Parity Certificates or any Additional Certificates). In the event of any such transfer, the Trustee shall immediately provide written notice to the City of the amount and the date of such transfer.

Any moneys in the 2021A Reserve Account of the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing October 1, 2021, and at such other time or times as directed by the City, shall be transferred to the Base Rental Fund and applied to the payment of the principal of and interest with respect to the Certificates on the next succeeding Interest Payment Date, or transferred to such other fund as the City may designate.

The City has established a Reserve Account for the 2012A Certificates (the "2012A Reserve Account"); however, such 2012A Reserve Account is not available for the payment of Base Rental payments due with respect to the Certificates. The Trust Agreement allows a Reserve Account to be established for Additional Certificates. See "– Additional Certificates" below.

**Replacement, Maintenance and Repairs**

The Project Lease requires the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Project Lease. The Trust Agreement requires that if the Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the Certificates and the other certificates of participation executed and delivered under the Trust

Agreement or replace or repair the affected portion of the Leased Property in accordance with the Project Lease, provided, however, that the City's obligation to repair or replace any portion of the Leased Property pursuant to the Project Lease will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of the Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City is not required to repair or replace any such portion of the Leased Property if there is applied to the prepayment of Outstanding certificates of participation executed and delivered under the Trust Agreement, including the Certificates, insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all Outstanding certificates of participation executed and delivered under the Trust Agreement, including the Certificates, and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates and other certificates of participation executed and delivered under the Trust Agreement such that the resulting Rental Payments payable in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest evidenced and represented by all certificates of participation to remain Outstanding under the Trust Agreement, including the Certificates, and all other amounts due under the Project Lease and under the Trust Agreement to the extent they are due and payable in such Project Lease Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease."

**Insurance with Respect to the Leased Property**

The Project Lease requires the City to maintain or cause to be maintained throughout the term of the Project Lease: (i) general liability insurance against damages occasioned by reason of the construction of improvements to or operation of the Leased Property with minimum coverage limits of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City; (ii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of certificates of participation executed and delivered under the Trust Agreement, including the Certificates (to the extent commercially available), with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; (iii) to the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates; provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies; (iv) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident; and (v) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount may be adjusted annually to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) and (iii) above. All policies of insurance required under the Project Lease may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City is also required under the Project Lease to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the South Residence building, which policy, when combined with the policy or policies of title insurance issued in connection with the issuance and delivery of the Prior Parity Certificates (and the property associated with the Pavilion building, the North Residence building and the San Bruno Complex (County Jail No. 3)), will be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and the then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, and showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates and such outstanding Prior Parity Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance" and "– Fifth Supplement to Project Lease."

The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease except as provided above, and the City does not currently have earthquake or flood insurance on the Leased Property or any portion thereof.

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE, EXCEPT FOR RENTAL INTERRUPTION INSURANCE AND TITLE INSURANCE. The City expects to self-insure for all exposures for which the Project Lease permits self-insurance.

**Eminent Domain**

If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, is taken under the power of eminent domain, the Project Lease will terminate as of the later of the day possession is taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed under the Project Lease. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments will again begin to accrue with respect thereto upon replacement of the Leased Property. If less than a substantial portion of the Leased Property is taken under the power of eminent domain and the remainder is useable for the City's purposes, the Project Lease will continue in full force and effect as to the remaining portions of the Leased Property, subject only to the rental abatement provisions of the Project Lease.

The City will, within 90 days of the conclusion of the eminent domain proceeding, notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates, and other certificates of participation issued pursuant to the Trust Agreement and then Outstanding, will be prepaid in part. The proceedings of any condemnation award will as soon as possible be deposited with the Trustee and, to the extent necessary, will be applied to prepay Certificates and such other Outstanding certificates of participation or applied to the cost of replacement of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Trust Agreement – Eminent Domain" and "–The Project Lease – Eminent Domain."

**Substitution, Release, and Addition of Leased Property**

If no Event of Default has occurred and is continuing under the Project Lease, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Project Lease. See "PLAN OF FINANCE AND THE LEASED PROPERTY – The Leased Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

**Additional Certificates**

On October 11, 2019, the City authorized the execution and delivery of these Certificates and other Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $156,600,000. On December 20, 2019, the City further authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $83,600,000. On November 6, 2020, the City also authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to $157,000,000. The City may decide not to have the Additional Certificates authorized on October 11, 2019 (other than the Certificates), on December 20, 2019 and on November 6, 2020 executed and delivered in whole or in part.

In addition, the City may from time to time amend the Trust Agreement and the Project Lease to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity basis with the Outstanding Certificates and Prior Parity Certificates, provided that, among other requirements, the Base Rental payable under the Project Lease, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates, the Outstanding Prior Parity Certificates and such Additional Certificates, and that the Base Rental thereunder is not in excess of the fair rental value of the Leased Property.

## CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Certificates. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Certificates. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

**The COVID-19 pandemic is a significant new development material adversely affecting the City's finances and outlook. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PUBLIC HEALTH EMERGENCY – COVID-19" and also "– Public Health Emergencies" below.**

**Rental Payments Not a Debt of the City**

**The obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.**

The Certificates represent and are payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Base Rental Fund and in the 2021A Reserve Account of the Reserve Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Project Lease, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

### Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Authorized but Unissued City GO Bonds," "– Voter-Approved Lease Revenue Bonds," "– Board Authorized and Unissued Long-Term Certificates of Participation," and "– Overlapping Debt." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

### Abatement

The obligation of the City under the Project Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the City's obligation to make Base Rental payments and Additional Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

Under the Project Lease, in the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, except that such extension will in no event extend beyond April 1, 2051. Proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property" and "– Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Property.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

In the event of abatement or default, the amounts on deposit in the 2021A Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default. If moneys are drawn from the 2021A Reserve Account to make Base Rental payments during a period of rental abatement, moneys remaining in the 2021A Reserve Account of the Reserve Fund after such payments are likely to be less than the Reserve Requirement. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the 2021A Reserve Account of the Reserve Fund to the Reserve Requirement.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the 2021A Reserve Account of the Reserve Fund and any available insurance proceeds, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Project Lease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Project Lease is not an event of default under the Trust Agreement or the Project Lease.

Notwithstanding the provisions of the Project Lease and the Trust Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates.

**Limited Recourse on Default; Re-letting of the Leased Property**

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may, subject to applicable laws regarding use of such property, take possession of and re-let the Leased Property for the account of the City. The Leased Property is unique and re-letting might prove to be difficult or impossible. The remedy to re-let the Leased Property is subject to applicable laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. Portions of Laguna Honda Hospital have been improved with the proceeds of voter-approved general obligation bonds, and it is unclear whether any re-letting would be permitted to result in use of the Laguna Honda Hospital Portion of the Leased Property that is inconsistent with the public hospital purposes for which those bonds were approved. Further, certain improvements to Laguna Honda Hospital were funded by federal fund grants, which might impact the remedy of re-letting, as further described below. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget and Right to Re-let." The amounts received from any such re-letting may be insufficient to pay the scheduled principal and interest represented by the Certificates when due and the City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the 2021A Reserve Account to the Reserve Requirement. In addition, the Trust Agreement provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or subject to State personal income taxes. The enforcement of any remedies provided for in the Project Lease and in the Trust Agreement could prove to be both expensive and time consuming.

The Project Lease provides that any remedies on default will be exercised by the Trustee. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental payments when due, or if the City breaches any other terms, covenants or conditions contained in the Project Lease, the Property Lease or in the Trust Agreement (and does not remedy such breach with all reasonable dispatch within 60 days after notice thereof or, if such breach cannot be remedied within such 60-day period, the City fails to take corrective action within such 60-day period and diligently pursue the same to completion), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then outstanding, shall proceed), without any further notice: (i) to re-enter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, or (ii) in lieu of the above, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due by pursuing any remedy available in law or in equity.

The construction and renovation of Laguna Honda Hospital was financed, in part, by federal grant funds awarded by the U.S. Department of Health and Human Services, pursuant to the Public Health Service Act. As a result of such funding, Laguna Honda Hospital is subject to the recovery provisions of the Public Health Service Act, which may limit the remedy of re-letting the Laguna Honda Hospital Portion of the Leased Property under the Project Lease.

**Enforcement of Remedies**

The enforcement of any remedies provided in the Project Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Project Lease and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties in the State. See "CERTAIN RISK FACTORS – Bankruptcy" herein.

**No Acceleration on Default**

In the event of a default, there is no remedy of acceleration of any Base Rental payments under the Project Lease. Certificate owners would have to sue for payment of unpaid Base Rental in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

**Release and Substitution of the Leased Property**

The Project Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution." Although the Project Lease requires that the Leased Property, after such substitution, have an annual fair rental value at least equal to the maximum annual amount of the Base Rental payments becoming due in the then-current Project Lease Year or in any subsequent Project Lease Year, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within or outside the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates.

**Bankruptcy**

In addition to the limitations on remedies contained in the Trust Agreement and the Project Lease, the rights and remedies in the Trust Agreement and the Project Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code), as amended (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Project Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Project Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Project Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in such a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Project Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Project Lease (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

**City Long-Term Financial Challenges**

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, "– Seismic Risks" and "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below). While the City had strong economic and financial performance during the recovery from the great recession and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below. **In particular, the City faces new significant adverse financial and budgetary challenges due to the COVID-19 pandemic.** See "–Public Health Emergencies" below and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PUBLIC HEALTH EMERGENCY – COVID-19" attached hereto.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth $39.1 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

In addition, the City faces long-term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken major steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. In recent years, the City and voters have adopted changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET."

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES."

**Seismic Risks**

***General.*** The City is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazards such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance except as described under "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property," and the City does not currently have earthquake or flood insurance on the Leased Property. There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

***California Earthquake Probabilities Study.*** In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than $82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, infrastructure and residential and business real property values.

***Earthquake Safety Implementation Plan (ESIP).*** ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (CAPSS), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. This deadline was extended from the original deadline of September 2020 in light of the COVID-19 pandemic. As of March 3, 2021, approximately 86% of the buildings have been brought into compliance. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

***Vulnerability Study of the Northern Waterfront Seawall.*** In early 2016, the Port Commission of the City (the "Port Commission") commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as $3 billion, with another $2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately $1.6 billion in Port assets and $2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Authorized but Unissued City GO Bonds."

***Tall Buildings Safety Strategy Report and Executive Directive.*** The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings taller than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this Statewide program. The City's Disaster Recovery Taskforce had its kickoff meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – "Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings" was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

The City obtains and maintains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LEGAL MATTERS AND RISK MANAGEMENT."

***SB 1953 Compliance.*** Senate Bill 1953 ("SB 1953") is an amendment to the 1973 Hospital Facilities Seismic Safety Act ("HFSSA") that requires all acute care hospitals in California, including Laguna Honda Hospital, to comply with certain seismic safety standards within a certain time frame. SB 1953 generally requires that by 2020, all hospital buildings must remain standing during a major earthquake so that patients can be evacuated safely, and by 2030, all hospital buildings must remain standing and functioning during a major earthquake. The City deems the Leased Property consisting of Laguna Honda Hospital compliant with SB 1953. See "PLAN OF FINANCE AND THE LEASED PROPERTY" above.

**Climate Change, Risk of Sea Level Rise and Flooding Damage**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 ("NCA4"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could be largely under water.

The City has already incorporated site-specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's Seawall from sea level rise, including an initial investment of about $8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over $500 million and long-term upgrades to cost more than $5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Authorized but Unissued City GO Bonds."

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Certificates. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

**Cybersecurity**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City's Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, the SFMTA was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, and to manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

**Public Health Emergencies**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization ("WHO") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness caused by infection by a transmissible, novel coronavirus. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PUBLIC HEALTH EMERGENCY – COVID-19." The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City's operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. The City has undertaken modifications to its standard budget approval process calendar and has been issuing and plans to issue periodic updates on the Controller's website. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described herein under APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PUBLIC HEALTH EMERGENCY – COVID-19." The COVID-19 outbreak is expected to have material adverse impacts on the projections and budget information provided in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

**Other Events**

Seismic events, wildfires, tsunamis, other natural or man-made events and civil unrest may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's ability to provide municipal services.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area is included in portions of the City's Hetch Hetchy Project.

The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately $14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting numerous deaths and over $16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 and 2020, parts of the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

In August and September of 2020, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

With certain exceptions, the City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains and maintains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake or flood coverage, with certain minor exceptions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LEGAL MATTERS AND RISK MANAGEMENT."

**Risk Management and Insurance**

The Project Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption insurance in an amount equal to but not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months, adjusted on or prior to October 1 of each year to reflect scheduled Base Rental payments due for the next succeeding 24 months. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Project Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Project Lease allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all exposures for which the Project Lease permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LEGAL MATTERS AND RISK MANAGEMENT – Risk Retention Program."

**State Law Limitations on Appropriations**

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit.

According to the City Controller, the City may exceed the Gann Limit in fiscal years following fiscal year 2020-21, depending on the timing and outcome of litigation regarding three legally-contested tax measures approved by voters in 2018. Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIIIB of the California Constitution."

**Changes in Law**

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State or the Charter, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Articles XIIIC and XIIID of the California Constitution."

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

**State of California Financial Condition**

The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other counties in the State. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of the State of California Budget on Local Finances."

The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, over which the City has no control.

**U.S. Government Finances**

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City's financial condition may also be impacted by the withholding of federal grants or other funds flowing to "sanctuary jurisdictions." The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations and the impact that such budgets will have on the City's finances and operations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Federal Government on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – GENERAL FUND REVENUES – Other City Tax Revenues" and "– INVESTMENT OF CITY FUNDS."

**Other**

There may be other risk factors inherent in ownership of the Certificates in addition to those described in this section.

## TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP and Curls Bartling P.C., Co-Special Counsel, under existing law: (i) interest evidenced by the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) interest evidenced by the Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the Certificates.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings that are intended to evidence and assure the foregoing, including that the Certificates are and will remain obligations for which the interest evidenced thereby is excluded from gross income for federal income tax purposes. Co-Special Counsel will not independently verify the accuracy of the City's representations and certifications or the City's continuing compliance with its covenants.

The opinion of Co-Special Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Special Counsel's legal judgment as to the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (the "IRS") or any court. Co-Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest evidenced by the Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. The City has covenanted to take the actions required of it for the interest evidenced by the

Certificates to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Certificates, Co-Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates or the market value of the Certificates.

Interest evidenced by the Certificates may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Certificates. Co-Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a Certificate owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Special Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Co-Special Counsel is not obligated to defend the City or the owners of the Certificates regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Certificates, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Certificates.

Prospective purchasers of the Certificates upon their original issuance at prices other than the respective prices indicated on the cover of this Official Statement, and prospective purchasers of the Certificates at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Co-Special Counsel expresses no opinion.

**Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Certificates will not have an adverse effect on the tax status of interest evidenced by the Certificates or the market value or marketability of the Certificates. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest evidenced by the Certificates from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax, and eliminated the tax-exempt advance refunding of tax-exempt bonds and tax-advantaged bonds, among other things. Additionally, investors in the Certificates should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest evidenced by the Certificates for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Certificates may be affected and the ability of holders to sell their Certificates in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

**Original Issue Discount and Original Issue Premium**

Certain of the Certificates ("Discount Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest evidenced by the Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale or other disposition of that Discount Certificate. A purchaser of a Discount Certificate in the initial public offering at the issue price (described above) for that Discount Certificate who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

Certain of the Certificates ("Premium Certificates") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

***Owners of Discount and Premium Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Certificates, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.***

## OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the separate legal opinions of Squire Patton Boggs (US) LLP, San Francisco, California and Curls Bartling P.C., Oakland, California, Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to their date.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel.

Co-Disclosure Counsel have advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Co-Disclosure Counsel are not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and have not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, each Co-Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to the attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, or other person or party other than the City, will be entitled to or may rely on such letter or Co-Disclosure Counsel's having acted in the role of co-disclosure counsel to the City.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## PROFESSIONALS INVOLVED IN THE OFFERING

KNN Public Finance, Inc., LLC and Ross Financial have served as Co-Municipal Advisors to the City with respect to the sale of the Certificates. The Co-Municipal Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Co-Municipal Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Special Counsel and Co-Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2020-21, which is due not later than March 27, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

On March 6, 2018, Moody's Investors Service, Inc. ("Moody's") upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to "Aa1" from "Aa2." The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City's 2016-17 audited financial statements ("2016-17 Audited Financial Statements") on the City's website. However, the 2016-17 Audited Financial Statements were not posted on EMMA. The City subsequently filed the 2016-17 Audited Financial Statements and a notice of such late filing on EMMA.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City's investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure.

## ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith. The City will furnish to the initial purchasers of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.

## VALIDATION ACTION

No validation action has been pursued or is expected to be pursued with respect to the validity of the Fifth Supplement to Project Lease, the Fifth Supplement to Property Lease, or the Fifth Supplement to Trust Agreement.

The City filed a complaint on September 15, 2008, pursuant to State Code of Civil Procedure Sections 860 through 870.5 in the Superior Court for the State in and for the City to validate the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. On January 15, 2009, a judgment was rendered finding the Original Project Lease, the Original Property Lease and the Original Trust Agreement to be valid, legal and binding obligations of the City in accordance with their terms and in conformity with all applicable provisions of law, including Article XVI, Section 18 of the State Constitution.

State Code of Civil Procedure Section 870(a) provides that such a judgment, if no appeal is taken, or if taken and the judgment affirmed, shall thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated against the City and against all other persons. State Code of Civil Procedure Section 870(b) provides that no appeal shall be allowed from such a judgment unless a notice of appeal is filed within 30 days after the entry of judgment. No notice of appeal was filed.

## RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aa1," "AA+" and "AA," respectively, to the Certificates. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Certificates. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.spglobal.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. See "CONTINUING DISCLOSURE" herein.

## SALE OF THE CERTIFICATES

The Certificates were sold at competitive bid on April 21, 2021, as provided in the Official Notice of Sale, dated April 14, 2021 (the "Official Notice of Sale"). The Certificates were awarded to Citigroup Global Markets Inc. at a purchase price of $92,243,459.00 (consisting of the principal amount of the Certificates, plus original issue premium of $16,413,509.00, and less an underwriter's discount of $190,050.00).

The Official Notice of Sale provided that all Certificates would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Special Counsel and certain other conditions. The purchaser of the Certificates will represent to the City that the Certificates have been reoffered to the public at the yields stated on the inside cover page hereof.

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## MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchasers or Owners and beneficial owners of any of the Certificates.

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

**CITY AND COUNTY OF SAN FRANCISCO**

By: /s/ Benjamin Rosenfield
Controller

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# APPENDIX A

## CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix A to the Official Statement of the City provides general information about the City's governance structure, budget processes, property taxation system and tax and other revenue sources, City expenditures, labor relations, employment benefits and retirement costs, investments, bonds, and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A and should not be considered in making a decision to buy the bonds.

Information concerning the City's finances that does not materially impact the availability of moneys deposited in the General Fund including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("PUC"), and other enterprise funds, or the expenditure of moneys from the General Fund, is generally not included or, if included, is not described in detail in this Appendix A.

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected.

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## RECENT DEVELOPMENTS

### Additional Federal Assistance

On March 11, 2021, President Biden signed H.R. 1319, the American Rescue Plan Act of 2021 ("ARPA"). The bill includes $350 billion in state and local government fiscal aid to augment allocations provided in the CARES Act Coronavirus Relief Fund ("CRF"), through which San Francisco is to directly receive approximately $636 million, comprising a $465 million city allocation and a $171 million county allocation. Distributions will occur in two tranches, one each in 2021 and 2022, and be required to be spent by December 31, 2024. Allowable uses include COVID-19 response or mitigation of the negative economic impacts of it, such as assistance to households, small businesses, nonprofits, and aid to impacted industries. A critical improvement versus CRF funds is that it may be used for the provision of government services to the extent of the reduction in revenue. The bill contains $195 billion of aid to states; however, it is not yet known whether California will pass through a portion of its aid to local governments, as it did with its CRF funding. In addition, San Francisco will likely benefit from other subventions and grants authorized in the bill. The March Joint Report (discussed below) contains an update to the City's Five-Year Financial Plan which takes projected ARPA funding into account.

### March Joint Report

On March 31, the Board of Supervisors Budget and Legislative Analyst, the Mayor's Budget Director and the Controller issued a Budget Outlook Update (the "March Joint Report") which contained updates to the City's Five-Year Financial Plan issued in January 2021 (the "January 2021 Projections").

The March Joint Report projection shows a cumulative deficit projection of $499.3 million by Fiscal Year 2025-26, which is a $23.0 million improvement from the prior Fiscal Year 2025-26 deficit of $503.3 million contained in the January 2021 Projections. In the upcoming two fiscal years, the cumulative shortfall is $22.9 million, or an improvement of $630.3 million from the $653.2 million deficit as compared to the January 2021 Projections. The March Joint Report noted that the changes to the January 2021 Projections were primarily driven by the following factors:

- <u>American Rescue Plan Act of 2021</u>. The March Joint Report forecast assumes $636 million of one-time direct federal aid contained in ARPA from the Coronavirus Local Fiscal Recovery Fund to offset revenue losses in the General Fund in Fiscal Years 2021-22 and 2022-23 ($318 million each year).

- <u>Modest Increase in Local Tax Revenue Projection</u>. Local tax revenues are expected to recover at varying speeds from the stark and immediate losses of Fiscal Year 2019-20 and Fiscal Year 2020-21 throughout the projection period of the Five-Year Financial Plan. The overall projection trajectory for most local tax revenues in the March Joint Report is similar to the January 2021 Projections; however projected property tax revenues in the March Joint Report are materially higher. The increase in projected property taxes is mostly due to updated State guidance on the calculation of Excess ERAF and revised assumptions about temporary reductions in assessed values. (The March Joint Report assumes that reductions in assessed values for hotel, retail, and unsecured property will be less then projected in the January Projections.) This positive change is partially offset by additional anticipated weakness in business, hotel, sales, and parking taxes, largely driven by an assumed slower return of office workers and travelers to San Francisco. The March Joint Report also contains revised assumptions concerning the future impact of continued telecommuting on the City's business tax revenues.

- Changing Reserve Assumptions. In the January 2021 Projections, the City anticipated withdrawing $187.9 million of Economic Stabilization Reserves in Fiscal Year 2021-22 and Fiscal Year 2022-23, exhausting the full balance in those reserves. Given improvement in the budget outlook, the March Joint Report projections assumes the $187.9 million withdrawal of Economic Stabilization Reserves in Fiscal Year 2021-22, consistent with the adopted budget, but no further withdrawals thereafter. Furthermore, the March Joint Report projects that deposits to these reserves will be required beginning in Fiscal Year 2023-24. Neither the January Projections nor the March Joint Report update assumes the use of funds in the COVID Response and Economic Loss Reserve.

- Reductions to Cost of COVID-19 Response. The March Joint Report includes a reduction in projected expenditures needed to support citywide COVID-19 response programming, compared to the January 2021 Projections.

- Salary and Benefits Costs. The March Joint Report assumes salary and benefits savings as compared to the January Projections, primarily due to a higher Fiscal Year 2020-21 rate of return on the retirement system's investments, and also lower growth in Fiscal Year 2021-22 of retiree health costs. The March Joint Report assumes there will be no wage delays in closed labor contracts, which would have been triggered under those contract terms if the projected shortfall in the March Joint Report exceeded $200 million.

The March Joint Report notes key factors that could materially impact the City's financial condition, including the following:

- Local General Fund Revenues: Economically sensitive revenues such as business and hotel taxes are still subject to historically high levels of uncertainty as the local and national economies gradually recover from the COVID-19 pandemic, and international travel returns.

- State and federal budget impacts: Federal and state legislative and regulatory actions are driving large revenue improvements in the March Joint Report projection, and any future federal or state legislative and regulatory actions could create additional changes.

- Local COVID-19 Response Costs: The level of need and associated costs of the City's current COVID-19 response programs may exceed the City's current expectations.

- Pending or proposed new programs or legislation: No pending or proposed legislative changes with a fiscal impact are assumed in the March Joint Report with the exception of the $125 million supplemental ordinance discussed above. Any legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Several appropriations for new program initiatives are pending at the Board of Supervisors, and others may be proposed.

- Retirement Employer Contribution Rate: While the Retirement System Board has discussed reducing its actuarily assumed rate of return from 7.4% to 7.3% in recent months, and will revisit the question at its April 2021 meeting, it has not yet taken action; therefore, the 7.4%

rate assumed in the January report is unchanged. Adoption of the 7.3% rate would increase employer contribution rates and annual costs by approximately $48 million beginning in Fiscal Year 2021-22.

The March Joint Report notes that: “In the remaining three years of the five-year projection period, a significant structural deficit of over $350 million persists and grows each year as expenditure growth projections outpace revenue growth projections. Closing these shortfalls will require some combination of expenditure reductions and additional revenues, and will likely pose difficult choices for policymakers.

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**APPENDIX A**
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**PUBLIC HEALTH EMERGENCY – COVID-19**

On February 11, 2020 the World Health Organization ("WHO") announced the official name for the outbreak of a new disease ("COVID-19") caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City and County of San Francisco ("City"). The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

As of April 1, 2021, there were over 35,000 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

The COVID-19 pandemic has materially adversely impacted the financial condition of the City. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City's public health system, reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment, with corresponding decreases in City revenues, particularly business, sales, transient occupancy, and parking taxes.

From time to time, all counties in the Bay Area (including the City) have implemented and revised shelter-in-place ("Shelter-in-Place") emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State has announced similar Shelter-in-Place emergency orders effective for the entire State. The State and various counties, including the City have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators. On August 28, 2020, the State adopted a color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. As discussed below, San Francisco is currently designated to the orange tier.

Most recently, in addition to the four-tier classification system, on December 3, 2020 the State announced a Regional Stay at Home Order, under which a county must enforce even stricter rules if hospital intensive care unit capacity drops below 15%. The City was, for a time, subject to those stricter rules. As of December 16, 2020 the Bay Area's ICU capacity had fallen below 15% and triggered the State of California's Regional Stay Home order. On December 17, 2020 the City announced a public health order placing a mandatory quarantine of 10 days on anyone traveling, moving, or returning to San Francisco from outside the Bay Area. Limited exceptions applied to people traveling for certain critical activities. The order also strongly discouraged any non-essential travel within the 10-county Bay Area region. On January 25, 2021, the City announced plans to reopen certain businesses and activities in response to the State lifting the Bay Area Regional Stay at Home Order. On February 23, 2021, as a result of the City's progress in managing COVID-19, San Francisco lifted the 10-day quarantine order but still urged against non-essential travel outside of the Bay Area. On March 3, 2021, the City announced the reopening of most business and activities permitted by the State, following the City's assignment to the State's Red Tier based on COVID-19 cases and hospitalization rates. On March 23, 2021, the City announced that it will resume most businesses and activities that are allowed by the State in the orange tier for counties with moderate transmission levels, following the City's assignment to that tier. Future updates to the Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

Beginning December 15, 2020, the City began administering the first vaccines to frontline healthcare workers. On February 24, 2021, the City moved to Phase 1B, Tier 1 of the State's population prioritization plan and began vaccinating people who work in education and childcare, emergency services, and the food and agriculture sectors, while continuing to vaccinate healthcare workers and people age 65 and older. As of April 1, 2021, more than 20% of San Francisco's population has received the first dose of vaccine, as have 82% of the City's residents over 65 years of age. Between January 22, 2021 and February 16, 2021, the City launched three high-volume vaccination sites at Moscone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San Francisco's network of vaccination sites to facilitate the quick and efficient delivery of COVID-19 vaccines.

When the Mayor declared a state of emergency in February 2020, the City's Emergency Operations Center was activated. The City's response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has established multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. The City estimates that emergency response expenditures relating to the COVID-19 Emergency were approximately $521.8 million across all funds and departments during fiscal year 2019-20 alone. Federal sources, including Federal Emergency Management Agency ("FEMA") reimbursements and Coronavirus Aid, Relief, and Economic Security ("CARES") Act allocations, substantially offset the majority of emergency costs during fiscal year 2019-20. The final adopted budget for fiscal years 2020-21 and 2021-22 reflects the assumption that $82.1 million of CARES Act allocations to the General Fund will be available to support response expenditures in fiscal year 2020-21.

The economic impact of COVID-19 has drastically reduced the City's tax revenues and may affect the City's ability to sustain regular operations at current levels. As shown in Table A-4, after years of increases, fiscal year 2019-20 General Fund revenue declined by $417.3 million, or 7.1%, from fiscal year 2018-19. These decreases occurred in nearly every category of revenue except intergovernmental revenue; most significantly, the City experienced the greatest decline in its "other local taxes," which includes hotel and sales taxes. Another significant decline was in property tax revenue, which declined by $173.0 million from fiscal year 2018-19 due to the recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in fiscal year 2018-19 compared to just one year in fiscal year 2019-20. See "PROPERTY TAXATION – "Tax Levy and Collection" for additional detail.

The Final Adopted Budget for Fiscal Years 2020-21 and 2021-22 approved by the Board of Supervisors on October 1, 2020 (the "Final Adopted Budget") assumed $755.6 million of COVID-19 response costs in fiscal year 2020-21, and none in fiscal year 2021-22. Actual costs will ultimately depend on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees and may be offset by FEMA reimbursement for eligible costs. See "CITY BUDGET - Final Adopted Budget for Fiscal Years 2020-21 and 2021-22" herein.

On February 12, 2021, the Controller's Office released the Six-Month Report. The report includes updated projections for fiscal year 2020-21 from the Final Adopted Budget, as well as COVID-19 emergency response revenues and expenditures. See "CITY BUDGET – Other Budget Updates: Fiscal Year 2020-21 Six-Month Budget Status Report."

## CITY GOVERNMENT

### City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State") and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, voters approved the current charter, which went into effect in most respects on July 1, 1996 ("Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts ("Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer ("Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades TK-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including a port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mills Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport. In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. SFO, the Port, the PUC (which includes the Water Enterprise, the Wastewater

Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, annually receive significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission and may remove department heads.

**Mayor**

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. Mayor Breed was elected at the June 4, 2018 special election to serve until January 2020, fulfilling the remaining term of the late Mayor Edwin Lee. In November 2019, Mayor Breed was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading the City following the sudden passing of Mayor Lee. Mayor Breed previously served as a member of the Board of Supervisors for six years, including the last three years as President of the Board.

**Board of Supervisors**

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

At the election on November 3, 2020, voters voted on Supervisor seats with terms expiring in 2021. Incumbents Aaron Peskin (District 3), Dean Preston (District 5), Hillary Ronen (District 9) and Ahsha Safaí (District 11) retained their seats for another four years, while new Supervisors Connie Chan and Myrna Melgar joined the Board for District 1 and District 7, respectively.

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*TABLE A-1*

**CITY AND COUNTY OF SAN FRANCISCO**
**Board of Supervisors**

| Name | First Elected or Appointed | Current Term Expires |
|---|---|---|
| Connie Chan, *District 1* | 2021 | 2025 |
| Catherine Stefani, *District 2* | 2018 | 2023 |
| Aaron Peskin, *District 3* | 2015 | 2025 |
| Gordon Mar, *District 4* | 2019 | 2023 |
| Dean Preston, *District 5* | 2019 | 2025 |
| Matt Haney, *District 6* | 2019 | 2023 |
| Myrna Melgar, *District 7* | 2021 | 2025 |
| Rafael Mandelman, *District 8* | 2018 | 2023 |
| Hillary Ronen, *District 9* | 2017 | 2025 |
| Shamann Walton, Board President, *District 10* | 2019 | 2023 |
| Ahsha Safai, *District 11* | 2017 | 2025 |

**Other Elected and Appointed City Officers**

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2019. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

The Assessor-Recorder administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. The position of Assessor-Recorder is a citywide elected position, and Mr. Torres will have to run in the next election, which is currently scheduled for June 2022, to complete the current term. Mr. Torres filled a vacancy left by the former Assessor-Recorder, Carmen Chu, who now serves as the City Administrator.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new ten-year term as Controller in Spring 2018, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr., and then-Mayor Newsom. As Budget Director during that period, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Following the announcement of former City Administrator Naomi Kelly's resignation, Mayor Breed nominated Carmen Chu to serve as San Francisco's City Administrator, which was confirmed by the Board on January 26, 2021. Ms. Chu was sworn in as the City Administrator on February 2, 2021. Prior to becoming the City Administrator, Ms. Chu had served as the City's Assessor-Recorder since 2013. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

## CITY BUDGET

### Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal position is affected by the health of the local real estate market, the local business and tourist economy, and, by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The fiscal years 2020-21 and 2021-22 Final Adopted Budget was approved by the Board of Supervisors on September 20, 2020 and signed by Mayor Breed on October 1, 2020. Typically, the Final Adopted Budget is approved in August; however, due to the COVID-19 emergency, the fiscal years 2020-21 and 2021-22 budget process was delayed by two months under the Mayor's emergency powers.

The Final Adopted Budget for fiscal year 2020-21 appropriated annual revenues, fund balance, transfers and reserves of $13.6 billion, of which the City's General Fund accounts for $6.2 billion. The Final Adopted Budget for fiscal year 2021-22 appropriated revenues, fund balance, transfers and reserves of $12.4 billion, of which $5.8 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2017-18 through 2019-20, and the Final Adopted Budget for fiscal years 2020-21 and 2021-22. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2020-21 proposed budget, see "CITY BUDGET - Final Adopted Budget for Fiscal Years 20-21 and 2021-22" herein.

Economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate, and the COVID-19 Emergency may have further material adverse impacts on the projections and budget information provided in this Appendix A. See "CITY BUDGET - Controller's Revenue Letter," and "GENERAL FUND REVENUES" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 Emergency on the City. See "BUDGETARY RISKS" for a discussion of factors that may affect the revenue and expenditure levels assumed in the Final Adopted Budget.

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*TABLE A-2*

**CITY AND COUNTY OF SAN FRANCISCO**
**Budgeted General Fund Revenues and Appropriations for**
**Fiscal Years 2017-18 through 2021-22**
**(000s)**

| | 2017-18 Final Revised Budget | 2018-19 Final Revised Budget | 2019-20 Final Revised Budget [6] | 2020-21 Original Budget [7] | 2021-22 Original Budget [7] |
|---|---|---|---|---|---|
| Prior-Year Budgetary Fund Balance & Reserves | $1,999,334 | $2,342,082 | $2,817,270 | $526,905 | $331,674 |
| Budgeted Revenues | | | | | |
| Property Taxes[1] | $1,557,000 | $2,142,727 | $1,956,008 | $2,019,600 | $1,976,900 |
| Business Taxes | 750,820 | 879,414 | 1,050,392 | 826,400 | 1,030,900 |
| Other Local Taxes[2] | 1,112,570 | 1,053,390 | 1,144,376 | 657,990 | 924,130 |
| Licenses, Permits and Franchises | 29,964 | 30,794 | 30,361 | 23,175 | 23,688 |
| Fines, Forfeitures and Penalties | 4,579 | 3,131 | 3,131 | 2,338 | 3,088 |
| Interest and Investment Earnings | 18,615 | 20,323 | 69,579 | 23,490 | 16,530 |
| Rents and Concessions | 14,089 | 14,896 | 15,270 | 10,948 | 15,451 |
| Grants and Subventions | 965,549 | 1,072,205 | 1,234,987 | 1,380,693 | 1,029,486 |
| Charges for Services | 242,842 | 263,340 | 246,003 | 257,295 | 245,657 |
| Other | 40,130 | 29,712 | 31,712 | 25,254 | 24,325 |
| Total Budgeted Revenues | $4,736,158 | $5,509,932 | $5,781,819 | $5,227,184 | $5,290,154 |
| Bond Proceeds & Repayment of Loans | $110 | $87 | - | - | - |
| Expenditure Appropriations | | | | | |
| Public Protection | $1,316,870 | $1,390,266 | $1,493,240 | $1,448,004 | $1,419,535 |
| Public Works, Transportation & Commerce | 238,564 | 214,928 | 216,824 | 186,729 | 167,017 |
| Human Welfare & Neighborhood Development | 1,047,458 | 1,120,892 | 1,270,530 | 1,477,225 | 1,272,305 |
| Community Health | 832,663 | 967,113 | 1,065,051 | 1,152,275 | 1,004,399 |
| Culture and Recreation | 142,081 | 154,056 | 161,274 | 158,511 | 167,908 |
| General Administration & Finance | 259,916 | 290,274 | 332,296 | 363,650 | 367,768 |
| General City Responsibilities[3] | 114,219 | 172,028 | 137,851 | 219,635 | 175,806 |
| Total Expenditure Appropriations | $3,951,771 | $4,309,557 | $4,677,066 | $5,006,029 | $4,574,738 |
| Budgetary reserves and designations, net | - | - | $34,721 | $149,000 | $874 |
| Transfers In | $232,032 | $239,056 | $190,642 | $447,095 | $182,537 |
| Transfers Out[4] | (1,010,203) | (1,468,068) | (1,157,312) | (1,046,155) | (1,228,753) |
| Net Transfers In/Out | ($778,171) | ($1,229,012) | ($966,670) | ($599,060) | ($1,046,216) |
| Budgeted Excess (Deficiency) of Sources Over (Under) Uses | $2,005,661 | $2,313,531 | 2,920,632 | - | - |
| Variance of Actual vs. Budget | 336,422 | 503,738 | (139,127) | - | - |
| Total Actual Budgetary Fund Balance[5] | $2,342,083 | $2,817,269 | $2,781,505 | $0 | $0 |

[1] The City's final budget for FY 2018-19 property tax included $414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted $185.0 million of "Excess Educational Revenue Augmentation Fund" (ERAF) revenue. The Budget appropriates Excess ERAF property tax funds in fiscal years 2020-21 and 2021-22 for ongoing purposes. Please see "Other Budget Updates - Controller's Revenue Letter" and "Property Tax" sections for more information about Excess ERAF.

[2] Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes.

[3] Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

[4] Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

[5] Fiscal year 2017-18 through fiscal year 2019-20 Final Revised Budget reflects prior year *actual* budgetary fund balance.

[6] FY 2019-20 Final Revised Budget updated from FY 2019-20 Comprehensive Annual Financial Report. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund in FY2019-20. See reserve discussion under "CITY BUDGET" section.

[7] FY 2020-21 and 2021-22 amounts represent the Final Adopted Budget, adopted on October 1, 2020.

Source: Office of the Controller, City and County of San Francisco.

**Budget Process**

The following paragraphs contain a description of the City's customary budget process. The City's fiscal year commences on July 1 and ends on June 30. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit a proposed budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's Proposed Budget, the City Controller must provide an opinion to the Board of Supervisors regarding the economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's Proposed Budget. The Revenue Letter and other information from the Controller's website are not incorporated herein by reference. The City's Capital Planning Committee (composed of other City officials) also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt, each year, a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than, the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors approves the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") typically by no later than August 1 of each fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire Annual Appropriation Ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two- thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year upon release of the City's Comprehensive Annual Financial Report to reflect the year-end revenue and expenditure appropriations for that fiscal year.

**Multi-Year Budgeting and Planning**

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors. In the most recent Final Adopted Budget for fiscal years 2020-21 and 2021-22, four departments adopted fixed budgets: MTA, PUC, AIR, and PRT. All other departments prepare balanced, rolling two-year budgets for Board approval.

2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan update, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 15, 2021, for fiscal year 2021-22 through fiscal year 2025-26. The Five-Year Financial Plan was updated on March 31, 2021 in a report (the "March Joint Report") issued by the Board of Supervisors Budget and Legislative Analyst, the Mayor's Budget Director and the Controller. The next update of the City's Five-Year Financial Plan is expected to be submitted in May 2021. See "Five Year Financial Plan" section below and "RECENT DEVELOPMENTS."

3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:

   - Non-Recurring Revenue Policy - This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long- term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations. The Mayor and the Board approved legislation to temporarily suspend this policy. See "Controller's Revenue Letter" section for more details.

   - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. Given the City's projected revenue levels in FY 2020-21, FY2021-22, and FY2022-23, the City is eligible to withdraw from these reserves and is not required to make any deposits. The Final Adopted Budget withdraws the maximum permissible amounts from the City's Rainy Day and Budget Stabilization Reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as the "Controller's Revenue Letter" section.

4. The City is required to submit labor agreements for all public employee unions to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. All labor agreements are closed for the budget year, fiscal year 2020-21.

**Role of Controller in Budgetary Analysis and Projections**

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then- current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's actual expenditures are often different from the estimated expenditures in the Original Budget due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds. If the Controller estimates revenue shortfalls that exceed applicable reserves and any other allowances for revenue shortfalls in the adopted City budget, upon receipt of such estimates, the Mayor is to inform the Board of Supervisors of actions to address this shortfall. The Board of Supervisors may adopt an ordinance to reflect the Mayor's proposal or alternative proposals in order to balance the budget.

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the first of these reports, the fiscal year 2020-21 Three Month Report (the "Three Month Report"), in November 2020 and issued the second of these reports, the fiscal year 2020-21 Six Month Report (the "Six Month Report") on February 12, 2021. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget.

**General Fund Results: Audited Financial Statements**

The City issued the Comprehensive Annual Financial Report, which includes the City's audited financial statements) for fiscal year 2019-20 on March 2, 2021. As of June 30, 2020, the General Fund fund balance available for appropriation in subsequent years was $896.2 million (see Table A-4), which represents an $83.4 million increase in available fund balance from the $812.7 million available as of June 30, 2019. This increase resulted primarily from greater-than-budgeted property tax revenue and operating surpluses at the Department of Public Health, mostly offset by under-performance in business and other local tax revenues in fiscal year 2019-20.

The General Fund fund balance as of June 30, 2020 was $2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from revenues of $5.5 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the Comprehensive Annual Financial Report. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2016 through June 30, 2020.

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*TABLE A-3*

**CITY AND COUNTY OF SAN FRANCISCO**
**Summary of General Fund Fund Balances**
**Fiscal Years 2015-16 through 2019-20**
**(000s)**

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| Restricted for rainy day (Economic Stabilization account)[1] | $74,986 | $78,336 | $89,309 | $229,069 | $229,069 |
| Restricted for rainy day (One-time Spending account)[2,6] | 45,120 | 47,353 | 54,668 | 95,908 | - |
| Committed for budget stabilization (citywide)[2] | 178,434 | 323,204 | 369,958 | 396,760 | 362,607 |
| Committed for Recreation & Parks savings reserve[4] | 8,736 | 4,403 | 1,740 | 803 | 803 |
| Assigned, not available for appropriation | | | | | |
| Assigned for encumbrances | $190,965 | $244,158 | $345,596 | $351,446 | $394,912 |
| Assigned for appropriation carryforward | 293,921 | 434,223 | 423,835 | 496,846 | 630,759 |
| Assigned for budget savings incentive program (Citywide)[3,6] | 58,907 | 67,450 | 73,650 | 86,979 | - |
| Assigned for salaries and benefits [5] | 18,203 | 23,051 | 23,931 | 28,965 | 25,371 |
| Total Fund Balance Not Available for Appropriation | $869,272 | $1,222,178 | $1,382,687 | $1,686,776 | $1,643,521 |
| Assigned and unassigned, available for appropriation | | | | | |
| Assigned for litigation & contingencies[4] | $145,443 | $136,080 | $235,925 | $186,913 | $160,314 |
| Assigned for subsequent year's budget | 172,128 | 183,326 | 188,562 | 210,638 | 370,405 |
| Unassigned for General Reserve[5] | 76,913 | 95,156 | 106,878 | 130,894 | 78,498 |
| Unassigned - Budgeted for use second budget year | 191,202 | 288,185 | 223,251 | 285,152 | 84 |
| Unassigned - Contingency for second budget year[6] | 60,000 | 60,000 | 160,000 | 308,000 | 510,400 |
| Unassigned - Available for future appropriation | 11,872 | 14,409 | 44,779 | 8,897 | 18,283 |
| Total Fund Balance Available for Appropriation | $657,558 | $777,156 | $959,395 | $1,130,494 | $1,137,984 |
| Total Fund Balance, Budget Basis | $1,526,830 | $1,999,334 | $2,342,082 | $2,817,270 | $2,781,505 |
| Budget Basis to GAAP Basis Reconciliation | | | | | |
| Total Fund Balance - Budget Basis | $1,526,830 | $1,999,334 | $2,342,082 | $2,817,270 | $2,781,505 |
| Unrealized gain or loss on investments | 343 | (1,197) | (20,602) | 16,275 | 36,626 |
| Nonspendable fund balance | 522 | 525 | 1,512 | 1,259 | 1,274 |
| Cumulative Excess Property Tax Revenues Recognized on Budget Basis | (36,008) | (38,469) | (25,495) | (23,793) | (20,655) |
| Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis | (56,709) | (83,757) | (68,958) | (87,794) | (139,590) |
| Inventories | - | - | - | - | 33,212 |
| Pre-paid lease revenue | (5,816) | (5,733) | (6,598) | (6,194) | (6,450) |
| Total Fund Balance, GAAP Basis | $1,429,162 | $1,870,703 | $2,221,941 | $2,717,023 | $2,685,922 |

Source: Office of the Controller, City and County of San Francisco.

1 Additional information in Rainy Day Reserves section of Appendix A, following this table.

2 Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

3 Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.

4 Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.
The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.

5 Additional information in General Reserves section of Appendix A, following this table.

6 Includes $507.4 million COVID Response and Economic Loss Reserve. Additional information in the COVID Response and Economic Loss Reserve section of Appendix A, following this table.

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-3 shows the City's various reserve balances as designations of fund balance. Key reserves are described further as follows:

**COVID Response and Economic Loss Reserve**

The fiscal years 2020-21 and 2021-22 Final Adopted Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of $507.4 million in fiscal year 2019-20, as shown as part of "Unassigned Contingency for Second Budget Year" line in Table A-3 above. The COVID Response and Economic Loss Reserve will be available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller has noted that the $507.4 million total balance would be sufficient to offset some, but not all, of the budget risks identified in the Final Adopted Budget. See "CITY BUDGET - Controller's Revenue Letter."

**Rainy Day Reserve**

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 above. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve (not shown in Table A-3 because it is not part of the General Fund, it is reserved for SFUSD);
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

The fiscal year 2019-20 ending balance of the Rainy Day Economic Stabilization City Reserve was $229.1 million, as shown in Table A-3. In the Five-Year Financial Plan and fiscal years 2020-21 and 2021-22 Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, $114.5 million in fiscal year 2020-21 and $57.3 million in fiscal year 2021-22. As a result, the balance of the reserve is expected to decline to $57.3 million by the end of fiscal year 2021-22 and be fully depleted by the end of fiscal year 2022-23. See "RECENT DEVELOPMENTS."

The Rainy Day One Time Reserve was consolidated into the COVID Response and Economic Loss Reserve at the end of fiscal year 2019-20. See "COVID Response and Economic Loss Reserve" above.

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

**Budget Stabilization Reserve**

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One Time Reserve is $362.6 million in fiscal year 2019-20. Because the City's combined Rainy Day Economic Stabilization Reserve and Budget Stabilization Reserve exceeded 10% of General Fund revenues for fiscal year 2019-20, the Budget Stabilization Reserve balance was capped in fiscal year 2019-20 at $307.8 million, with the remaining balance of $54.9 million deposited in the Budget Stabilization One-Time Reserve.

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

In the Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, $42.0 million in fiscal year 2020-21 and $125.3 million in fiscal year 2021-22. Due to a larger than previously anticipated ending balance in Budget Stabilization Reserve in fiscal year 2019-20, the Five Year Financial Plan assumes maximum permissible withdrawals greater than budgeted: $46.5 million in fiscal year 2020-21 and $130.6 million in fiscal year 2021-22. The balance of the reserve is expected to decline to $130.6 million by the end of fiscal year 2021-22 and be fully depleted by the end of fiscal year 2022-23.

**General Reserve**

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the General Reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City is eligible to withdraw from its economic stabilization reserves. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal year 2019-20, the City made a budgeted deposit of $28.9 million to the General Reserve. The Mayor ultimately withdrew $75.5 million to address fiscal year 2019-20 shortfalls as reported in the May 2020 Nine Month Report, and the Board appropriated $2.2 million to support public safety expenditures during the year. As a result, the fiscal year 2019-20 ending balance of the General Reserve was $78.5 million. As of the publication of the Five Year Financial Plan, in fiscal years 2020-21 and 2021-22, there are no anticipated deposits or withdrawals to the General Reserve.

**Budget Savings Incentive Reserve**

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown on line 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2019-20, the Recreation and Parks Savings Reserve had a balance of $0.8 million and the balance of the Citywide Budget Savings Incentive Reserve was moved into the COVID Response and Economic Loss Reserve. See "—COVID Response and Economic Loss Reserve" above.

**Salaries, Benefits and Litigation Reserves**

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through a Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $25.4 million as of fiscal year 2019-20), and the Litigation and Public Health Management Reserve (balance of $136.5 million in Fiscal Year 2019-20).

**Operating Cash Reserve**

Not shown in Table A-3, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's published Comprehensive Annual Financial Report through fiscal year 2019-20. Audited financial statements can be obtained from the City Controller's website https://sfcontroller.org/comprehensive-annual-financial-report-cafr. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

*TABLE A-4*

**CITY AND COUNTY OF SAN FRANCISCO**

**Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]**

**Fiscal Years 2015-16 through 2019-20**

**(000s)**

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Property Taxes[2] | $1,393,574 | $1,478,671 | $1,673,950 | $2,248,004 | $2,075,002 |
| Business Taxes | 659,086 | 700,536 | 897,076 | 917,811 | 822,154 |
| Other Local Taxes[3] | 1,054,109 | 1,203,587 | 1,093,769 | 1,215,306 | 996,180 |
| Licenses, Permits and Franchises | 27,909 | 29,336 | 28,803 | 27,960 | 25,318 |
| Fines, Forfeitures and Penalties | 8,985 | 2,734 | 7,966 | 4,740 | 3,705 |
| Interest and Investment Income | 9,613 | 14,439 | 16,245 | 88,523 | 65,459 |
| Rents and Concessions | 46,553 | 15,352 | 14,533 | 14,460 | 9,816 |
| Intergovernmental | 900,820 | 932,576 | 983,809 | 1,069,349 | 1,183,341 |
| Charges for Services | 233,976 | 220,877 | 248,926 | 257,814 | 229,759 |
| Other | 22,291 | 38,679 | 24,478 | 46,254 | 62,218 |
| Total Revenues | $4,356,916 | $4,636,787 | $4,989,555 | $5,890,221 | $5,472,952 |
| **Expenditures:** | | | | | |
| Public Protection | $1,204,666 | $1,257,948 | $1,312,582 | $1,382,031 | $1,479,195 |
| Public Works, Transportation & Commerce | 136,762 | 166,285 | 223,830 | 202,988 | 203,350 |
| Human Welfare and Neighborhood Development | 853,924 | 956,478 | 999,048 | 1,071,309 | 1,252,865 |
| Community Health | 666,138 | 600,067 | 706,322 | 809,120 | 909,261 |
| Culture and Recreation | 124,515 | 139,368 | 142,215 | 152,250 | 155,164 |
| General Administration & Finance | 223,844 | 238,064 | 244,773 | 267,997 | 304,073 |
| General City Responsibilities | 114,663 | 121,444 | 110,812 | 144,808 | 129,941 |
| Total Expenditures | $3,324,512 | $3,479,654 | $3,739,582 | $4,030,503 | $4,433,849 |
| Excess of Revenues over Expenditures | $1,032,404 | $1,157,133 | $1,249,973 | $1,859,718 | $1,039,103 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | $209,494 | $140,272 | $112,228 | $104,338 | $87,618 |
| Transfers Out | (962,343) | (857,629) | (1,010,785) | (1,468,971) | (1,157,822) |
| Other Financing Sources | 4,411 | 1,765 | - | - | - |
| Other Financing Uses | - | - | (178) | (3) | - |
| Total Other Financing Sources (Uses) | ($748,438) | ($715,592) | ($898,735) | ($1,364,636) | ($1,070,204) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | $283,966 | $441,541 | $351,238 | $495,082 | ($31,101) |
| Total Fund Balance at Beginning of Year | $1,145,196 | $1,429,162 | $1,870,703 | $2,221,941 | $2,717,023 |
| Total Fund Balance at End of Year -- GAAP Basis | $1,429,162 | $1,870,703 | $2,221,941 | $2,717,023 | $2,685,922 |
| Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End | | | | | |
| -- GAAP Basis | $249,238 | $273,827 | $286,143 | $326,582 | $395,776 |
| -- Budget Basis | $435,202 | $545,920 | $616,592 | $812,687 | $896,172 |

[1] Summary of financial information derived from City Comprehensive Annual Financial Reports. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

[2] The City recognized $548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see Property Tax section for more information about Excess ERAF.

[3] Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes (once it takes effect beginning January 1, 2022).

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco

**Five-Year Financial Plan**

The Five-Year Financial Plan ("Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. Charter Section 9.119 requires that by March 1 of each odd-numbered year, the Mayor submit a Plan to the Board. The City's Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimated for the remaining four years of the most recently adopted Plan.

On January 15, 2021, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan for fiscal years 2021-22 through 2025-26 ("Five-Year Plan"), which projected cumulative annual shortfalls of $411.1 million, $242.1 million, $323.7 million, $413.3 and $503.3 million, for fiscal years 2021-22 through 2025-26, respectively. The Five-Year Plan was updated in the March Joint Report.

THE INFORMATION BELOW REFLECTS THE FIVE-YEAR PLAN AS INITIALLY ISSUED IN JANUARY 2021. SEE "RECENT DEVELOPMENTS" FOR A DISCUSSION OF THE MARCH JOINT REPORT, WHICH PROVIDED AN UPDATE TO THE FIVE-YEAR PLAN.

The Five-Year Plan, which assumes a slower pace of re-opening of economic activity than the Final Adopted Budget, projects declines in fiscal year 2021-22 followed by growth in General Fund sources over the forecast period of 15.5%, composed of growth in local tax sources as the local economy recovers from the COVID-19 pandemic that largely recovers to pre-pandemic levels by the end of the plan period. Revenue growth is fully offset by projected expenditure increases of 23.7% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The Plan projects growth in General Fund sources of $963.4 million over the Plan period, and expenditure growth of $1.47 billion. The composition of the projected shortfall is shown in Table A-5 below.

*TABLE A-5*

**CITY AND COUNTY OF SAN FRANCISCO**
**Five Year Financial Plan Update**
**Fiscal Years 2021-22 through 2025-26**
**Projections as of January 15, 2021**
**($ Millions)**

| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | % of Uses for 2025-26 |
|---|---|---|---|---|---|---|
| ***Sources - Increase / (Decrease):*** | ($117.6) | $268.5 | $487.2 | $732.1 | $963.4 | |
| **Uses:** | | | | | | |
| Baselines & Reserves | ($54.4) | ($157.7) | ($242.1) | ($293.2) | ($354.6) | 24.2% |
| Salaries & Benefits | (150.8) | (233.4) | (318.0) | (433.8) | (565.1) | 38.5% |
| Citywide Operating Budget Costs | (21.4) | (8.2) | (94.2) | (219.4) | (304.8) | 20.8% |
| Departmental Costs | (67.0) | (111.2) | (156.5) | (198.9) | (242.2) | 16.5% |
| ***Total Uses - (Increase) / Decrease:*** | ($293.6) | ($510.5) | ($810.8) | ($1,145.3) | ($1,466.7) | 100.0% |
| **Projected Cumulative Surplus / (Shortfall):** | ($411.3) | ($242.0) | ($323.6) | ($413.2) | ($503.3) | |

The Five-Year Plan is a "base case" projection that makes the following key assumptions:

- **No major changes to service levels and number of employees:** The projection assumes no major changes to policies, service levels, or the number of employees from the Final Adopted Budget for fiscal years 2020-21 and 2021-22 budgeted levels unless specified below.

- **Revenue losses and subsequent recovery from COVID-19 pandemic:** San Francisco's economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism, all of which were impacted significantly by the COVID-19 pandemic. The Five-Year Plan assumes that San Francisco will largely recover to prior peak revenue levels over the five-year period, though that recovery is delayed from the timeline assumed in the Final Adopted Budget. Revenue projections are based on the assumption that there is widespread vaccination by fall 2021, with mass gatherings returning to pre-COVID levels by summer 2022. While most revenues are expected to rebound to pre-pandemic levels by fiscal year 2025-26, further challenges around recovery for tourism, small businesses, and office work could cause revenue to grow more slowly than projected in this report.

- **Full use of new revenue sources adopted by voters in November 2020 election:** The projections assume that Proposition I (increased transfer tax rates) continues to phase in in fiscal year 2021-22 and Proposition L (new tax on executive pay) goes into effect in fiscal year 2021-22 and fiscal year 2022-23, respectively. The report does not assume any new expenditures associated with these general tax increases although the Board of Supervisors has discussed but not appropriated funds for various purposes using these general tax proceeds. Such actions, if taken, would increase projected shortfalls accordingly. This projection also assumes implementation of Proposition F (overhaul of the business tax), which is expected to increase General Fund business tax in all years of the report, unlock $149.0 million of General Fund one-time funds that were assumed in the Final Adopted Budget for fiscal year 2021-22, and unlock $28.0 million in on-going funding in each remaining year of the report. Additionally, the projection assumes the implementation of two voter-approved November 2020 Propositions, which create new General Fund costs over the five-year period: Proposition B (Department of Sanitation and Streets) and Proposition D (Sherriff Oversight).

- **Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** This report assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed memorandums of understanding (MOU) through fiscal year 2022-23 as a result of a recent amendment. Miscellaneous unions have closed MOUs through fiscal year 2021-22. This report does not assume the recession trigger in these MOUs is met, but will be revaluated for future projection updates. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody's SF Metropolitan Statistical Area CPI. This corresponds to 3.01% for fiscal year 2021-22, 2.88% for fiscal year 2022-23, 3.10% for fiscal year 2023-24, 3.11% for fiscal year 2024-25, and 2.98% for fiscal year 2025-26. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.

- **Pension investment returns meet expectations, but do not trigger a supplemental Cost of Living Adjustment (COLA)**: This report assumes a return on SFERS assets of 7.4%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.

- **Health insurance cost increases**: This projection assumes that the employer share of health insurance costs for active employees will increase by 5.5% in fiscal year 2021-22, and then 6% in each following year, for an average of 5.9% annually over the projection period. Retiree health costs are assumed to grow by 6% in fiscal year 2021-22, 5.3% in fiscal year 2022-23, and then 6.1% in each subsequent fiscal year, an average of 5.9% annually over the projection period.

- **Inflationary increase on non-personnel operating costs**: This projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of CPI. The projection reflects the Final Adopted Budget for fiscal year 2021-22, which did not include a cost-of-doing business increase for General Fund nonprofit contracts.

- **Ten-Year Capital Plan,** Information and Communications Technology (ICT) **Plan, and inflationary increases on equipment**: For capital, this report assumes the Final Adopted Budget for fiscal year 2021-22 funding levels, and assumes funding will increase by 10% annually thereafter with a significant increase in fiscal year 2024-25, in line with forthcoming recommendations in the City's upcoming Fiscal Years 2022-31 Ten-Year Capital Plan. The IT investment projection similarly assumes partial funding of projects in the City's ICT Plan in fiscal year 2021-22, in accordance with the most recent budget, and 10% annual growth in the following four years, with a significant funding increase in fiscal year 2024-25. For equipment, this report assumes the budgeted level of funding in fiscal year 2021-22, and annual growth of 10% in the following four years.

- **Deposits and withdrawals from reserves:** The projection makes several key assumptions regarding deposits to and withdrawals from major General Fund reserves. In fiscal years 2021-22 and 2022-23, $188 million from the Economic Stabilization Reserve is assumed to be withdrawn in each year, exhausting the reserve balance by the end of fiscal year 2022-23. The report assumes that deposits to this reserve are only made in the final two years of the five-year period. In order to remain consistent with the financial policies adopted by the Board of Supervisors in April 2010 and codified in Administrative Code Section 10.60(b), no funds are projected to be withdrawn from the General Reserve in the five-year period, and deposits to the General Reserve are projected to begin in fiscal year 2022-23. No withdrawal from the COVID Response and Economic Loss Reserve is assumed in this projection.

- **Property tax shifts:** In the past two fiscal years, the City's General Fund received "Excess ERAF" property tax allocations, after distributions from the Educational Revenue Augmentation Fund (ERAF) fulfilled all other statutory distributions to other local taxing entities. Legislation adopted by the Mayor and the Board of Supervisors stipulates that at least 50% of these revenues should be dedicated to on one-time affordable housing production and preservation, and 50% to be made available for other purposes. The Final Adopted Budget for fiscal years 2020-21 and 2021-22 budget does not allocate spending in accordance with this legislation, in order to most effectively allocate this resource to support priority homelessness and mental health programming in the face of the City's sharp revenue loss. This report assumes the City will continue to receive Excess ERAF revenues in all years of the report according to current state law. However, the report does not assume expenditure allocations in accordance with the previous legislation referenced above, and primarily reserves the use of these revenues to solve for projected revenue losses. Should the original legislation be enforced in the coming five years, the General Fund deficit would increase commensurately.

- **COVID-19 Response:** The Base Case assumes the City will sustain its current level of General Fund support for public health and human services programs in response to the COVID-19 pandemic in fiscal year 2021-22. These projections do not incorporate any estimates of additional state or federal revenue to support the response. Starting in fiscal year 2022-23, no further costs are assumed given the uncertainty of the duration of the pandemic.

The Charter requires that each year's budget be balanced. To close the $643.2 million gap in fiscal years 2021-22 and 2022-23, in December 2020 based on preliminary projections, the Mayor instructed departments to reduce on-going General Fund support by 7.5% for their proposed fiscal years 2021-22 and 2022-23 budgets. Departments were also instructed to propose a 2.5% on-going contingency reduction that may be utilized in the event that fiscal conditions worsen.

**Final Adopted Budget for Fiscal Years 2020-21 and 2021-22**

On October 1, 2020, the Mayor signed the Final Adopted Budget, which was approved by the Board of Supervisors on September 29, 2020.

The Final Adopted budget totals $13.6 billion for fiscal year 2020-21 and $12.4 billion for fiscal year 2021-22, representing a year over year increase of $1.3 billion in fiscal year 2020-21 and year over year decrease of $1.2 billion in fiscal year 2021-22. The General Fund portion is $6.2 billion in fiscal year 2020-21 and $5.8 billion in fiscal year 2021-22, representing a year over year increase of $58.3 million in fiscal year 2020-21 and decrease of $396.8 million in fiscal year 2021-22. There are 31,778 funded full-time positions in fiscal year 2020-21 and 31,749 in fiscal year 2021-22, representing year-over-year increases of 6 and 29 positions, respectively.

**Other Budget Updates: Fiscal Year 2020-21 Six-Month Budget Status Report**

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as required by the City Charter Section 3.105. The most recent budget status update (the "Six-Month Report") was released on February 12, 2021.

The Six-Month Report indicates a projected General Fund net surplus of $125.2 million in fiscal year 2020-21 (as compared to the Final Adopted Budget). This represents an improvement of $241 million as compared to the projected deficit of $115.9 projected in the fiscal year 2020-21 Three-Month Budget Status Report released in November 2020. The Six-Month Report noted that application of this additional projected current year fund balance would reduce the projected shortfalls in the upcoming two-year budget to $528.0 million. The January 2021 Five-Year Plan assumed the $115.9 million fiscal year 2020-21 shortfall was solved in the current year. The January 2021 Five-Year Plan also projected shortfalls of $411.1 million in fiscal year 2021-22 and an additional $242.1 million in fiscal year 2022-23, for a cumulative total of $653.2 million. These projections will be updated in or about the end of March 2021.

The Sixth-Month Report does not reflect the numerous proposals pending at the Board of Supervisors to mitigate the economic and financial impact of the COVID-19 emergency, including but not limited to, measures to withdraw funds from the General Reserve to support the acquisition, creation and operation of affordable, social housing, a deferral to fiscal year 2021-22 of business tax registration fees, the proposed waiver of business registration and license fees for certain entities with less than $25 million in gross receipts, among other initiatives. If adopted, these proposals would substantially reduce or eliminate the projected ending balance of the General Fund.

In addition, the Sixth-Month Report does not include any projections from the Federal stimulus bill, which includes $350 billion in state and local government fiscal aid to augment allocations provided in the CARES Act Coronavirus Relief Fund ("CRF"), through which San Francisco is to directly receive approximately $636 million. See "RECENT DEVELOPMENTS" for additional information.

TABLE A-6

**Six Month-Month Report**
**Fiscal Year 2020-21 Projected General Fund Variances to Final Adopted Budget ($ million)**

| **Changes from Final Adopted Budget** | |
|---|---|
| Fiscal Year 2019-20 estimated fund balance (unaudited) | $18.4 |
| Citywide Revenue | (18.3) |
| Baseline Offsets | 34.2 |
| Departmental Revenues and Expenditures (including November 2020 Local Ballot Measures) | 90.9 |
| **Surplus / (Shortfall)** | **$125.2** |

The following is a discussion of certain elements of the revised fiscal year 2020-21 projections in the Six-Month Report:

- The Six-Month Report estimated a fiscal year 2019-20 ending balance of approximately $388.8 million, or $18.4 million above the $370.4 million assumed in the Final Adopted Budget. The final fund balance for fiscal year 2019-20 was $388.7 million.

- Citywide revenues are now projected to be $18.3 million below the Final Adopted Budget. Property tax revenues are projected to be $195.6 million higher as compared to the Final Adopted Budget). In addition, the passage of Proposition I (which increased real property transfer tax rates) and increased real property transfer activity is projected to result in $115.8 million higher real property transfer taxes as compared to the Final Adopted Budget. These increases are offset by continued underperformance in hotel taxes ($98.4 million lower projection as compared to the Final Adopted Budget), sales taxes ($43.5 million lower projection as compared to the Final Adopted Budget) and business taxes ($158.3 million lower projection as compared to the Final Adopted Budget). The Six-Month Report reflects the continuing high levels of uncertainty relating to revenue projections.

- Voters have adopted many measures that require General Fund contributions to various purposes, the majority of which are indexed to the City's discretionary revenues. Required contributions from the General Fund to voter-approved purposes are currently projected to decline from the Final Adopted Budget by $34.2 million as a result of the projected discretionary revenue shortfall.

- The projected $90.9 million net operating surplus in departments is comprised of a $32.9 million surplus in revenue and $57.9 million in reduced expenses.

It should be noted that Federal and state legislative and regulatory actions are significant factors in the revenue improvements in the Six-Month Report. For example, a state change in procedures governing allocation of property tax increment to redevelopment successor agencies, and recent state guidelines on the calculation of excess ERAF, are projected to increase property tax revenue retained in the City's General Fund (an estimated additional $56 million in fiscal year 2020-21, or $43.1 million after baseline allocations).

The Sixth-Month Report shows no additional deposits or withdrawals from reserves.

The Controller is expected to publish an update to its Five-Year Plan in or about the end of March 2021, and the Nine-Month Fiscal Year 2020-21 budgetary projections is scheduled to be published in or about May 2021.

Periodic budget status updates are provided by the Controller in accordance with reporting requirements of the Charter. The level of uncertainty regarding City revenues and expenditures remains extraordinarily high, driven by the economic and financial impacts of the public health emergency. The City can give no assurances that the COVID-19 pandemic will not result in further adverse impacts on the City's financial condition (including continuing reductions in revenues and/or increases in expenses) in fiscal year 2020-21 and future fiscal years.

## BUDGETARY RISKS

### Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State's unemployment rate hit a record high of 16.4% in April 2020 and has decreased to 8.5% as of February 2021. In the "Great Recession" that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home emergency orders.

### Commuting Pattern Changes

The sudden and sharp increase in telecommuting creates revenue risk. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Extended periods of working at-home during the emergency may affect how much of a business's payroll expense and gross receipts is apportionable to San Francisco. Some of the City's largest private employers have instructed their employees to telecommute whenever possible, as evidenced by BART ridership declining almost 90% from its pre-COVID-19 baseline ridership. Businesses owe payroll tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting will result in reduced business taxes. Although some San Francisco residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

**COVID-19 Pandemic**

The COVID-19 emergency is ongoing, and the City's response will likely cost hundreds of millions of dollars, depending on the ultimate duration and severity of the pandemic. The City can give no assurance of the duration or severity of the COVID-19 pandemic, and there is no assurance that its effects will not impose more significant financial and operating effects on the City before mitigation measures are successfully implemented. For additional information see "PUBLIC HEALTH EMERGENCY – COVID-19."

**Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E)**

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers.

On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E's Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy. As part of its restructuring, on June 9, PG&E announced that it would be relocating its business headquarters, currently located at 245 Market Street and 77 Beale Street in San Francisco, to Oakland. The relocation is scheduled to begin June 2022.

During the pendency of the PG&E bankruptcy, on September 6, 2019 the City submitted a non-binding indication of interest ("IOI") to PG&E and PG&E Corporation to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City ("Target Assets") for a purchase price of $2.5 billion (such transaction, the "Proposed Transaction"). In a letter dated October 7, 2019, PG&E declined the City's offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City's Board of Supervisors and the PUC's Commission conditionally authorized the sale of up to $3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and the Commission. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's general fund would be available to pay for system operations, or bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E's assets and expects to continue its pursuit with the newly reorganized entity.

**Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances**

On August 28, 2017, the California Supreme Court in California Cannabis Coalition v. City of Upland (August 28, 2017, No. S234148) ("Upland Decision") interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland Decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C"), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless services. The estimated annual values of June Propositions C and G are approximately $146 million and $50 million, respectively. The estimated annual value of November Proposition C is approximately $250 million to $300 million.

In August 2018, the Howard Jarvis Taxpayers Association and several other plaintiffs filed a reverse validation action in San Francisco Superior Court challenging the validity of June Proposition C. In September 2018 the City initiated a validation action in the same court seeking a judicial declaration of the validity of Proposition G. In January 2019, the City initiated a similar validation action in the same court concerning November Proposition C.

On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June Proposition C and November Proposition C, concluding that both measures~~,~~which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June Proposition C, and the California Business Properties Association and the other defendants/respondents appealed the decision in the litigation concerning November Proposition C.

On June 30, 2020, the Court of Appeal upheld the decision of the trial court in the litigation concerning November Proposition C. The Howard Jarvis Taxpayers Association sought review in the California Supreme Court of this decision. Briefing in the appeal concerning June 2018's Proposition C is not yet complete, and no oral argument has been scheduled.

On September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association of the Court of Appeal's ruling in the City's favor regarding November Proposition C. As noted above, cases relating to June Proposition C and Proposition G are still pending at the Court of Appeal. These cases will proceed through the judicial process.

The Final Adopted Budget for fiscal years 2020-21 and 2021-22 appropriates $931 million of the November Proposition C funds for various voter-adopted purposes (of which $492 million has been collected to date). With voters' adoption of Proposition F on the November 2020 ballot, the City is able to unlock these funds if legal proceedings continue or conclude against the City. Of this total, the Final Adopted Budget assumes repayment to the General Fund of $196 million in advances made in previous years to begin to implement these programs while the case proceeded. As a result of the above-mentioned court decision, these funds are now free of legal risk on the voter threshold issue.

The Final Adopted Budget also appropriates $568 million of funds resulting from the contested commercial rents tax measure and programs those funds for voter-adopted childcare expenditures. Of this total, $135 million supports the General Fund budget. These funds were at risk and could only be released following a final court ruling the City's favor or voter adoption of the 2020 Proposition F on the November ballot. Voters approved the 2020 Proposition F. See "CITY BUDGET – Role of Controller in Budgetary Analysis and Projections" for the process in the event revenue shortfalls exceed applicable reserves and any other allowances for revenue shortfalls in the Final Adopted Budget. Parcel taxes collected for teacher compensation were similarly reserved until the legal proceedings conclude, although the adoption of Proposition J on the November 2020 ballot by a two-thirds vote removed the legal risks on the voter threshold issue going forward and will allow the appropriation of future funds collected under the new tax.

The November 2020 ballot included three major revenue initiatives, which significantly impact local finance. All three measures passed.

- A business tax reform measure, which would increase the gross receipts tax on certain taxpayers and impose new replacement general taxes on the gross receipts from the lease of certain commercial space or larger businesses if two contested 2018 (June Proposition C and November Proposition C) business tax measures are struck down. This measure is assumed in the Final Adopted Budget such that $330.8 million of new revenue transfers into the General Fund are assumed to repay prior year General Fund advances made for these purposes. As discussed above, on September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association regarding November Proposition C, Homeless Gross Receipts Tax, allowing the lower court decisions in the City's favor to stand. As a result, $196 million of the $330.8 million General Fund advances assumed in the budget could be realized without regard to passage of the ballot measure.

- A transfer tax rate increase, doubling the rates on real property transfers over $10 million. The Controller's Office estimates the measure could increase transfer tax revenue between $13.0 million to $346.0 million. This measure was not assumed in the Final Adopted Budget, but it is assumed in the Six-Month Report and Five Year Financial Plan.

- An additional business tax on businesses with disproportionate executive pay, which the Controller's Office estimates could increase the City's revenue by $60 to $140 million annually. This measure is not assumed in the Final Adopted Budget, but it is assumed in the Five Year Financial Plan

**Impact of the State of California Budget on Local Finances**

Revenues from the State represent approximately 13% of the General Fund revenues appropriated in the Final Adopted Budget for fiscal years 2020-21 and 2021-22, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the

Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On January 8, 2021, the Governor released the State of California's proposed budget for fiscal year 2021-22. The State projects its General Fund budget to be $164.5 billion, $8.6 billion (5.5 percent) more than fiscal year 2020-21. Due to previously unanticipated strength in the financial markets, Personal Income Tax – the State's largest General Fund source – is expected to increase by $5.2 billion in fiscal year 2021-22 over the prior year. This strength is partially offset by expected losses in nearly every other General Fund source.

The State's fiscal year 2020-21 budget requires the State Controller's Office (SCO), which regularly audits all counties' allocations of property tax revenue, to issue guidelines for counties to use in the calculation and allocation of ERAF by the end of December 2020, applicable to fiscal years 2019-20 and forward only. The City has received guidance on the calculation of excess ERAF from the California State Controller's Office. See "CITY BUDGET – Fiscal Year 2020-21 Six-Month Budget Status Report.". State legislative changes are likely to be introduced in the coming months and could apply retroactively, creating uncertainty about future excess ERAF revenue.

**Impact of Federal Government on Local Finances**

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

Under the CARES Act, the United States Treasury department distributed $150 billion to state and local governments within 30 days of enactment under a population-based formula. The statute limits the use of funds to COVID-19 expense reimbursement rather than to offset anticipated State tax revenue losses. The City has received a direct allocation of $153.8 million from this Coronavirus Relief Fund, which was used to cover COVID-19-related medical, public health, economic support, and other emergency response costs. In addition, the State has allocated $20.7 million of its allocation to the City, for the same purposes. The federal government also provides significant funding for COVID-19 expenses through FEMA.

On December 27, 2020, the president signed H.R. 133 Consolidated Appropriations Act 2021, funding the federal government for the rest of the federal fiscal year 2020-21 and providing additional COVID relief for individuals, businesses, and health care providers affected by the COVID pandemic. The legislation addresses key priorities for public health systems, including extension of Medicaid DSH cuts to fiscal year 2023-24 and an additional $3 billion in Provider Relief Funding (PRF) created in the CARES Act. In addition, the Center for Medicare and Medicaid Services granted a one-year extension of California's Section 1115(a) Medicaid waiver, which was set to expire on December 31, 2020. The bill did not include additional support for state and local government. The funding from H.R. 133 was not reflected in the final adopted budget for fiscal years 2020-21 and 2021-22.

See "RECENT DEVELOPMENTS" for a discussion of additional federal funding.

**THE SUCCESSOR AGENCY**

*Effect of the Dissolution Act*

The San Francisco Redevelopment Agency (herein after the "Former Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine redevelopment project areas.

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that AB 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1/Candlestick Point of the Bayview Hunters Point Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects. The Successor Agency also issues community facilities district ("CFD") bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

## GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

## PROPERTY TAXATION

### Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

### Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-7 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. It is possible that the COVID-19 Emergency will result in a reduction in property values in the City, and such reduction could be material.

The total tax rate shown in Table A-7 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), San Francisco Community College District (SFCCD), Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-33: "Statement of Direct and Overlapping Debt and Long-Term Obligations." In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Office of Community Investment and Infrastructure (OCII), the successor agency to the San Francisco Redevelopment Agency. Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received $155.5 million of property tax increment in fiscal year 2019-20 for recognized obligations, diverting about $86.5 million that would have otherwise been apportioned to the City's General Fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.05% for fiscal year 2019-20. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 39 for the 6-month period of July 1 to December 31, 2020. For fiscal year 2019-20 a total of 99 trustee deeds were recorded compared to 86 for the fiscal year 2018-19, 111 for fiscal year 2017-18 and 92 for fiscal year 2016-17. It is possible that the COVID-19 Emergency will result in increased foreclosures in the City, and the effect of such increased foreclosures could be material.

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*TABLE A-7*

**CITY AND COUNTY OF SAN FRANCISCO**
**Assessed Valuation of Taxable Property**
**Fiscal Years 2008-09 through 2020-21**
**(000s)**

| Fiscal Year | Net Assessed [1] Valuation (NAV) | % Change from Prior Year | Total Tax Rate per $100 [2] | Total Tax Levy [3] | Total Tax Collected [3] | % Collected June 30 |
|---|---|---|---|---|---|---|
| 2008-09 | 141,274,628 | 8.7% | 1.163 | 1,702,533 | 1,661,717 | 97.6% |
| 2009-10 | 150,233,436 | 6.3% | 1.159 | 1,808,505 | 1,764,100 | 97.5% |
| 2010-11 | 157,865,981 | 5.1% | 1.164 | 1,888,048 | 1,849,460 | 98.0% |
| 2011-12 | 158,649,888 | 0.5% | 1.172 | 1,918,680 | 1,883,666 | 98.2% |
| 2012-13 | 165,043,120 | 4.0% | 1.169 | 1,997,645 | 1,970,662 | 98.6% |
| 2013-14 | 172,489,208 | 4.5% | 1.188 | 2,138,245 | 2,113,284 | 98.8% |
| 2014-15 | 181,809,981 | 5.4% | 1.174 | 2,139,050 | 2,113,968 | 98.8% |
| 2015-16 | 194,392,572 | 6.9% | 1.183 | 2,290,280 | 2,268,876 | 99.1% |
| 2016-17 | 211,532,524 | 8.8% | 1.179 | 2,492,789 | 2,471,486 | 99.1% |
| 2017-18 | 234,074,597 | 10.7% | 1.172 | 2,732,615 | 2,709,048 | 99.1% |
| 2018-19 | 259,329,479 | 10.8% | 1.163 | 2,999,794 | 2,977,664 | 99.3% |
| 2019-20 | 281,073,307 | 8.4% | 1.180 | 3,509,022 | 3,475,682 | 99.0% |
| 2020-21 | 301,409,161 [4] | 7.2% | 1.198 | 3,612,279 | N/A | N/A |

1 Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

2 Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

3 The Total Tax Levy and Total Tax Collected through fiscal year 2019-20 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2020-21 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

4 Based on initial assessed valuations for fiscal year 2020-21

Source: Office of the Controller, City and County of San Francisco.

SCO source noted in (3): http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf

At the start of fiscal year 2020-21, the total net assessed valuation of taxable property within the City was $301.4 billion. Of this total, $283.9 billion (94.2%) represents secured valuations and $17.5 billion (5.8%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year the increase in the assessed value of property, unless it is sold, or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, partial reductions of up to approximately 30% of the assessed valuations appealed were granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly. In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of $2.35 billion, compared to 18,110 temporary reductions with a value of $1.96 billion granted in fiscal year 2009-10. As described further below, the number of new assessment appeals filed as of December 31, 2020, which represents approximately 1.0% of all parcels in San Francisco, was almost double the number of new assessment appeals filed during the same period last year.

It is possible that the current global and national recession and economic dislocation resulting from the COVID-19 Emergency will result in declines in real estate values in the City, and such declines could be material.

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2019-20 are listed in Table A-8 below.

*TABLE A-8*

**CITY AND COUNTY OF SAN FRANCISCO**
**Refunds of Prior Years' Property Taxes**
**General Fund Assessment Appeals Reserve**
**Fiscal Years 2013-14 through 2019-20**
**(000s)**

| Fiscal Year | Amount Refunded |
|---|---|
| 2013-14 | $25,756 |
| 2014-15 | 16,304 |
| 2015-16 | 16,199 |
| 2016-17 | 33,397 |
| 2017-18 | 24,401 |
| 2018-19 | 30,071 |
| 2019-20 | 17,900 |

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in a cumulative assessed value reduction of $377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately $4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of $244.01 million (equating to a reduction of approximately $2.84 million in General Fund taxes). Of the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the

City and County of San Francisco. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If the 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely.

As of June 30, 2020, the total number of open appeals before the AAB was 1,166. During the fiscal year 2019-20 there were 1,417 new applications filed. The difference between the current assessed value and the taxpayer's opinion of values for all the open applications is $15.7 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about $185.7 million would result. The General Fund's portion of that potential $185.7 million would be approximately $87.4 million. As of December 31, 2020, the total number of open appeals before the AAB was 3,065, which represents a total negative potential property tax impact of $382.7 million. Of this, 2,173 appeals, representing a total a total negative potential property tax impact of $204.2 million, were filed in fiscal year 2020-21. This potential negative impact would only be realized to the extent appeals were heard by the Assessment Appeals Board and assessed values are actually reduced to the value asserted by property owners. Actual reductions have historically been much lower than values asserted by property owners in appeals, given the large number of appeals that are eventually withdrawn. Of the 994 appeals closed during fiscal year 2019-20, 701, or 70.5% of appeals, were withdrawn.

Nearly all of the appeal applications filed during fiscal year 2020-21 challenge the assessed value of property for fiscal year 2020-21. However, because the assessed value of secured property for fiscal year 2020-21 is determined by the Assessor as of the January 1, 2020 lien date, which predates the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from fiscal year 2020-21 appeal applications. However, the effects of the pandemic and ensuing recession will likely increase the number of future appeals. Additionally, under Proposition 8, adopted by California voters in 1978, the Assessor could on it is own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again exceeds the maximum assessed value calculated under Proposition 13.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

**Tax Levy and Collection**

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2019-20 was $3.3 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City budgeted to receive $2.0 billion in the General Fund and $235.1 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive approximately $199.8 million and $37.4 million, respectively, and the local ERAF was estimated to receive $401.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency was estimated to receive approximately $171.3 million. The remaining portion will be allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund is allocated about 47.1% of total property tax revenue before adjusting for the VLF backfill shift and excess ERAF.

General Fund property tax revenues in fiscal year 2019-20 were $2.1 billion, representing a decrease of $173.0 million (7.7%) over fiscal year 2018-19 actual revenue. The decrease is due to recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in fiscal year 2018-19 compared to just one year in fiscal year 2019-20. The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in "Impact of the State of California Budget on Local Finances." Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues.

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State- assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In connection with the COVID-19 Emergency, property owners unable to pay their April 10, 2020 property taxes by May 15, 2020 due to COVID-19 were able to request a penalty waiver. Pursuant to the Governor's Executive Order N-61-20**,** if a property owner was approved for a waiver and was unable to pay property taxes for a primary residence or small business due to COVID-19, an extension until May 6, 2021 was granted without any late payment penalties. As of April 2021, 1,344 secured parcels and 318 unsecured parcels, representing a total property tax amount of $17.7 million, remain unpaid. If these parcels remain unpaid after May 6, 2021, the parcel owners will be delinquent and may seek waivers under the normal course available to them under the California Revenue and Taxation Code. Even under the Governor's Executive Order N-61-20 waiver program, San Francisco's delinquent rate on secured parcels for fiscal year 2019-20 was less than 1.0%.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-9. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

*TABLE A-9*

**CITY AND COUNTY OF SAN FRANCISCO**
**Teeter Plan**
**Tax Loss Reserve Fund Balance**
**Fiscal Years 2013-14 through 2019-20**
**(000s)**

| Year Ended | Amount Funded |
|---|---|
| 2013-14 | $19,654 |
| 2014-15 | 20,569 |
| 2015-16 | 22,882 |
| 2016-17 | 24,882 |
| 2017-18 | 25,567 |
| 2018-19 | 29,126 |
| 2019-20 | 31,968 |

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2019 are shown in Table A-10. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

*TABLE A-10*

**CITY AND COUNTY OF SAN FRANCISCO**
**Top 10 Parcels Total Assessed Value**
**July 1, 2020**

| Assessee[1] | Location | Parcel Number | Type | Total Assessed Value 2 | % Basis of Levy [3] |
|---|---|---|---|---|---|
| SUTTER BAY HOSPITALS [4] | 1101 - 1133 VAN NESS AVE | 0695 007 | HOSPITAL | $2,692,380,427 | 0.891% |
| TRANSBAY TOWER LLC | 415 MISSION ST | 3720 009 | OFFICE | $1,784,578,020 | 0.591% |
| GSW ARENA LLC | 1 WARRIORS WAY | 8722 021 | ENTERTAINMENT COMP | $1,356,965,686 | 0.449% |
| HWA 555 OWNERS LLC | 555 CALIFORNIA ST | 0259 026 | OFFICE | $1,059,562,654 | 0.351% |
| ELM PROPERTY VENTURE LLC | 101 CALIFORNIA ST | 0263 011 | OFFICE | $1,025,109,898 | 0.339% |
| PPF PARAMOUNT ONE MARKET PLAZA OWNER LP | 1 MARKET ST | 3713 007 | OFFICE | $868,013,216 | 0.287% |
| KR MISSION BAY LLC | 1800 OWENS ST | 8727 008 | OFFICE | $835,809,683 | 0.277% |
| SHR GROUP LLC | 301 - 345 POWELL ST | 0307 001 | HOTEL | $765,686,754 | 0.254% |
| SUTTER BAY HOSPITALS [4] | 3615 CESAR CHAVEZ ST/555 SAN JOSE | 6575 005 | HOSPITAL | $762,407,195 | 0.252% |
| SFDC 50 FREMONT LLC | 50 FREMONT ST | 3709 019 | OFFICE | $717,267,750 | 0.237% |
| | | | | **$11,867,781,283** | **3.930%** |

[1] Certain parcels fall within RDA project areas.
[2] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvments, personal property, and fixtures. Values reflect information as of January 1, 2020.
[3] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).
[4] Nonprofit organization that is exempt from property taxes.
Source: Office of the Assessor-Recorder, City and County of San Francisco

## Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2020-21 valuation of property assessed by the State Board of Equalization is $3.7 billion.

## OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City. The City's General Fund is also supported by other sources of revenue, including charges for services, fines and penalties, and transfers-in, which are not discussed below.

See Table A-11 below for a summary of revenue source as a percentage of total General Fund revenue based on audited financials for fiscal year 2019-20 and the Final Adopted Budget for fiscal year 2020-21.

*TABLE A-11*

| Revenues | FY 2019-20 Audited | | FY 2020-21 Final Adopted Budget | |
|---|---|---|---|---|
| Property Taxes | $2,075,002 | *37.9%* | $2,019,600 | *38.6%* |
| Business Taxes | 822,154 | *15.0%* | 826,400 | *15.8%* |
| Other Local Taxes | 996,180 | *18.2%* | 657,990 | *12.6%* |
| Licenses, Permits and Franchises | 25,318 | *0.5%* | 23,175 | *0.4%* |
| Fines, Forfeitures and Penalties | 3,705 | *0.1%* | 2,338 | *0.0%* |
| Interest and Investment Income | 65,459 | *1.2%* | 23,490 | *0.4%* |
| Rents and Concessions | 9,816 | *0.2%* | 10,948 | *0.2%* |
| Intergovernmental | 1,183,341 | *21.6%* | 1,380,693 | *26.4%* |
| Charges for Services | 229,759 | *4.2%* | 257,295 | *4.9%* |
| Other | 62,218 | *1.1%* | 25,254 | *0.5%* |
| **Total Revenues** | $5,472,952 | *100.0%* | $5,227,184 | *100.0%* |

Note: Other local taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes (once it takes effect beginning January 1, 2022).

**Business Taxes**

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 2012 election changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and 0.38% in tax year 2018. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax applies to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2019-20 was $824.7 million (all funds), representing a decrease of $94.9 million (10.3%) from fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is $828.9 million, an increase of $4.2 million (0.5%) from the fiscal year 2019-20 figures. The fiscal year 2021-22 Final Adopted Budget is $1,033.4 million, an increase of $204.5 million (24.7%) from the fiscal year 2020-21

Final Adopted Budget. The vast majority of the City's business tax is deposited in the General Fund; approximately $2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 (June Proposition C and November Proposition C), which are special purpose taxes.

Revenues from business tax and registration fees follow economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency has significantly affected the business tax revenue base. The unemployment rate in the City rose to 12.6% in April 2020 (compared to 2.9% in January 2020) and remained at 12.5% in June before dropping to 6.4% in December 2020, the most recent data available. At the end of March 2020, weekly initial unemployment claims peaked at about 27,000. Though weekly initial claims fell in the following weeks, since early May 2020, initial claims have been around 5,000 weekly, more than five times higher than the average number of initial claims in the two months before the March 17, 2020 shelter-in-place order. Since March 2020, thousands of businesses have closed temporarily, some permanently.

The Final Adopted Budget assumes an underlying economic contraction of 5% in tax year 2020 and growth of 6% in tax year 2021, reflecting a quick recovery of employment lost to public health mandates. The projection also takes into account the Mayor's policies to provide relief to businesses during the pandemic through: (1) the deferral of business registration taxes owed in fiscal year 2019-20 to fiscal year 2020-21 and (2) the deferral of business tax payments for small businesses throughout the tax period to February 2021. In addition, Proposition F adopted by voters in November 2020 is assumed to generate $4.0 million of business tax in fiscal year 2020-21 and $23.0 million in fiscal year 2021-22 as intended. The Final Adopted Budget, however, does not take into account an ordinance approved by the Board in January 2021 which extends the deadline to (1) pay license fees originally due on March 31, 2020 and March 31, 2021 to November 1, 2021, (2) pay business registration fees originally due on June 1, 2020 to April 30, 2021, and (3) pay and file returns for certain business taxes for the 2020 tax year to April 30, 2021.

Additionally, the sudden and sharp increase in telecommuting creates revenue risk. Approximately half of workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. Extended periods of working at-home during the emergency may affect how much of a business's payroll expense and gross receipts is apportionable to San Francisco. Some of the City's largest private employers have instructed their employees to telecommute whenever possible, as evidenced by BART ridership declining almost 90% from its pre-COVID-19 baseline ridership. Businesses owe payroll tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting will result in reduced business taxes. Although some San Francisco residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

In the medium- to long-term, permanent relocations out of the San Francisco area could have a larger impact on the City's tax base. The Final Adopted Budget assumes that in calendar year 2020, 50% of workers in the Professional Services, Financial Services, and Information sectors who live outside of San Francisco now work from home instead of commuting into the City, and that in calendar year 2021, 25% telecommute. In fiscal year 2020-21, these assumptions about telecommuting reduce payroll tax revenue by 10.2% and gross receipts tax revenue by 7.7%. In fiscal year 2021-22, these assumptions reduce payroll tax and gross receipts tax revenues by 2.9% and 2.2%, respectively. See "CITY BUDGET - Other Budget Updates: Three-Month Budget Status Report and Five-Year Financial Plan" and ""RECENT DEVELOPMENTS" for a summary of the most recent projections.

*TABLE A-12*

**CITY AND COUNTY OF SAN FRANCISCO**
**Business Tax Revenues - All Funds**
**Fiscal Years 2016-17 through 2021-22**
**(000s)**

| Fiscal Year[1] | Revenue | Change | |
|---|---|---|---|
| 2016-17 | $702,331 | 41,405 | 6.3% |
| 2017-18 | 899,142 | 196,811 | 28.0% |
| 2018-19 | 919,552 | 20,410 | 2.3% |
| 2019-20 | 824,671 | (94,881) | -10.3% |
| 2020-21 *budgeted*[2] | 828,900 | 4,229 | 0.5% |
| 2021-22 *budgeted*[2] | 1,033,400 | 204,500 | 24.7% |

[1] Figures for fiscal years 2016-17 through 2019-20 are actuals. Includes portion of Payroll Tax allocated to special revenue funds for the
Community Challenge Grant program, Business Registration Tax.
[2] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.
Source: Office of the Controller, City and County of San Francisco.

**Transient Occupancy Tax (Hotel Tax)**

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2019-20 ended at $281.6 (all funds) million, a decrease of $132.7 million (32.0%) from fiscal year 2018-19. The Final Adopted Budget for fiscal year 2020-21 reflects expected hotel tax revenue of $156.7 million, a decrease of $125.0 million (44.4%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is $266.0 million, an increase of $109.3 million (69.8%) from the fiscal year 2020-21 proposed budget. Hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-13 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund. Approximately $5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $28 to $34 million of hotel tax is allocated for arts and cultural programs.

The significant decline in fiscal year 2020-21 revenue is due to the far-reaching impact of the pandemic on San Francisco's travel and hospitality industries. San Francisco's hotels are, on average, in the higher-priced tiers and rely on business travelers and tourists who arrive by air. Because of the COVID-19 pandemic, air travel is perceived as highly risky, and higher tier hotels are expected to be the slowest class of hotels to recover in this economic climate. Large gatherings and conferences, which normally drive up rates through compression pricing, remain prohibited in the City. As of March 2021, approximately 35% of San Francisco hotels remained closed, and occupancy rates for those that were open averaged 38.6%. Adjusted for room supply, the occupancy rate was 24.5%, an improvement of 199.8% from the same period last year, but still a dramatic reduction of 68.4% from March 2019 occupancy. The projected recovery of hotel tax revenue in fiscal year 2021-22 is largely based on the assumption that widespread vaccination uptake will lead to a resumption in large in-person gatherings.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of changes in occupancy and average daily room rates (ADR), and generally grew between fiscal years 2011-12 and 2018-19. During the first seven months of fiscal year 2019-20, RevPAR grew by 2.8% on average over the same period prior year. As airlines began suspending flights to and from China in February, RevPAR decreased 10.9%. The decline sharpened with the shelter in place order in March 2020, and RevPAR in the City reached its record low of $15.89 in April 2020, a 92.7% decrease from the same month prior year. Since then, as the City has slowly eased some restrictions, RevPAR has also increased slightly to $30.65 in June 2020, still an 86.7% decrease from the same month in 2019. RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2025-26. See "CITY BUDGET - Five-Year Financial Plan" and "RECENT DEVELOPMENTS" for a summary of the most recent projections.

*TABLE A-13*

**CITY AND COUNTY OF SAN FRANCISCO**

**Transient Occupancy Tax Revenues - All Funds[1]**

**Fiscal Years 2016-17 through 2021-22**

**(000s)**

| Fiscal Year[2] | Tax Rate | Revenue | Change | |
|---|---|---|---|---|
| 2016-17 | 14.0% | $375,291 | (17,391) | -4.4% |
| 2017-18 | 14.0% | 385,550 | 10,259 | 2.7% |
| 2018-19 | 14.0% | 414,343 | 28,792 | 7.5% |
| 2019-20 | 14.0% | 281,615 | (132,728) | -32.0% |
| 2020-21 *budgeted*[3] | 14.0% | 156,652 | (124,963) | -44.4% |
| 2021-22 *budgeted*[3] | 14.0% | 265,969 | 109,317 | 69.8% |

[1] Amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which took effect January 1, 2019.

[2] Figures for fiscal year 2016-17 through 2019-20 are actuals.

[3] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

Source: Office of the Controller, City and County of San Francisco.

### Real Property Transfer Tax

Real property transfer tax (RPTT) is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the RPTT rates were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million.

RPTT revenue for fiscal year 2019-20 was $334.5 million, a $29.5 million (8.1%) decrease from fiscal year 2018-19 revenue. The fiscal year 2020-21 Final Adopted Budget is $138.0 million, a decrease of $196.5 million (58.7%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is $253.4 million, an increase of $115.4 million (83.6%) from the fiscal year 2020-21 Final Adopted budget. The entirety of RPTT revenue goes to the General Fund.

The Final Adopted Budget assumes that market uncertainty will result in fewer transfers of commercial properties in fiscal year 2020-21, but the City will return to its long-term average in the following fiscal year. As previously noted, the budget does not assume the passage of Proposition I in November 2020, which would double the transfer tax rates on the sale of properties greater than $10 million. Proposition I has passed, and future projections will include revenue related to this measure

As the City's most volatile revenue source, RPTT collections can see large year-over-year changes that have exceeded 70% in some instances. The main factors creating volatility are sales of high-value properties, availability of financing, and the relative attractiveness of San Francisco real estate compared to global investment options, all of which track closely with economic cycles, as well as voter-approved rate changes, which occurred in 2008, 2010 and 2016. The volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over $25 million. In fiscal year 2008-09, transactions above $25 million would have generated only $10.6 million under the current rates compared to the peak in fiscal year 2016-17, when these transactions generated $295.8 million. Since the end of the recession in fiscal year 2009-10, these large transactions made up on average 58.0% of total revenue but only 0.6% of the transaction count. This means that revenue is determined by a small handful of transactions. In the past two recessions, the taxes collected on large transactions fell dramatically.

*TABLE A-14*

**CITY AND COUNTY OF SAN FRANCISCO**
**Real Property Transfer Tax Receipts - All Funds**
**Fiscal Years 2016-17 through 2021-22**
**(000s)**

| Fiscal Year[1] | Revenue | Change | |
|---|---|---|---|
| 2016-17 | $410,561 | $141,471 | 52.6% |
| 2017-18 | 280,416 | (130,145) | -31.7% |
| 2018-19 | 364,044 | 83,628 | 29.8% |
| 2019-20 | 334,535 | (29,509) | -8.1% |
| 2020-21 *budgeted*[2] | 138,000 | (196,535) | -58.7% |
| 2021-22 *budgeted*[2] | 253,420 | 115,420 | 83.6% |

[1] Figures for fiscal year 2016-17 through 2019-20 are actuals

[2] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

Source: Office of the Controller, City and County of San Francisco.

**Sales and Use Tax**

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City.

The components of San Francisco's 8.5% sales tax rate are shown in Table A-15. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

*TABLE A-15*

**San Francisco's Sales & Use Tax Rate**

| | |
|---|---|
| **State Sales Tax** | **6.00%** |
| State General Fund | 3.9375% |
| Local Realignment Fund 2011* | 1.0625% |
| Local Revenue Fund* | 0.50% |
| (to counties for health & welfare) | |
| Public Safety Fund (to counties & cities)* | 0.50% |
| **Local Sales Tax** | **1.25%** |
| Local Sales Tax (to General Fund)* | 1.00% |
| Local Transportation Tax (TDA) | 0.25% |
| **Special District Use Tax** | **1.25%** |
| SF County Transportation Authority | 0.50% |
| Bay Area Rapid Transit (BART) | 0.50% |
| SF Public Financing Authority (Schools) | 0.25% |
| **TOTAL Sales Tax Rate** | **8.50%** |

* Represents portions of the sales tax allocated to the City.

Source: Office of the Controller, City and County of San Francisco.

Local sales tax (the 1% portion) revenue in fiscal year 2019-20 was $180.2 million, $33.4 million (15.7%) less than fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is $183.7 million, an increase of $3.5 million (1.9%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is $185.3 million, an increase of $1.6 million (0.9%) from the fiscal year 2020-21 Final Adopted Budget. The entirety of sales tax revenue is deposited in the General Fund.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

The sales tax budget in fiscal year 2020-21 is driven by anticipated losses at restaurants, hotels, and non-essential retail because of the COVID-19 pandemic. Many San Francisco businesses are closed or operating at significantly reduced capacity, and consumers are spending less in certain categories given fewer opportunities and job loss or insecurity. To support small businesses, the State allowed eligible businesses to defer sales and use tax payments over a period of 12 months. The expiration of the deferral program contributes to slower estimated growth in fiscal year 2021-22.

*TABLE A-16*

**CITY AND COUNTY OF SAN FRANCISCO**
**Sales and Use Tax Revenues**
**Fiscal Years 2016-17 through 2021-22**
**(000s)**

| Fiscal Year[1] | Tax Rate | City Share | Revenue | Change | |
|---|---|---|---|---|---|
| 2016-17 | 8.75% | 1.00% | $189,473 | (14,645) | -8.7% |
| 2017-18 | 8.50% | 1.00% | 192,946 | 3,473 | 1.8% |
| 2018-19 | 8.50% | 1.00% | 213,625 | 20,679 | 10.7% |
| 2019-20 | 8.50% | 1.00% | 180,184 | (33,441) | -15.7% |
| 2020-21 *budgeted*[2] | 8.50% | 1.00% | 183,670 | 3,486 | 1.9% |
| 2021-22 *budgeted*[2] | 8.50% | 1.00% | 185,300 | 1,630 | 0.9% |

1 Figures for fiscal year 2016-17 through fiscal year 2019-20 are actuals.
2 Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.
Source: Office of the Controller, City and County of San Francisco.

### Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – A charge of $3.64 on every telecommunications line, $27.35 on every trunk line, and $492.32 on every high capacity line in the City. The charges will increase to $3.73 on every telecommunications line, $28.02 on every trunk line, and $504.40 on every high capacity line in the City in January 2021. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D). The tax was originally slated to go into effect on January 1, 2021, but in December 2021, the Board delayed the imposition of the tax by one year. The cannabis tax will now take effect beginning January 1, 2022.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-17 reflects the City's actual tax receipts for fiscal years 2016-17 through 2019-20 and budgeted receipts for fiscal years 202021 through 2021-22.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the course of the COVID-19 pandemic and pace of economic recovery. Consistent with the other tax revenues, the Final Adopted Budget for fiscal year 2020-21 assumes that the local economy continues to be depressed in the first half of the fiscal year but begins to recover in the second half of the fiscal year. Fiscal year 2021-22 is assumed to rebound, as economic activity is anticipated to grow. See "CITY BUDGET - Five-Year Financial Plan" AND "RECENT DEVELOPMENTS" for a summary of the most recent projections.

*TABLE A-17*

**CITY AND COUNTY OF SAN FRANCISCO**
**Other Local Taxes**
**Fiscal Years 2016-17 through 2021-22**
**General Fund**
**(000s)**

| Tax | 2016-17 Actuals | 2017-18 Actuals | 2018-19 Actuals | 2019-20 Actuals | 2020-21 Budget[1] | 2021-22 Budget[1] |
|---|---|---|---|---|---|---|
| Utility Users Tax | $101,203 | $94,460 | $93,918 | $94,231 | $81,090 | $88,990 |
| Access Line Tax | 46,530 | 51,255 | 48,058 | 49,570 | 48,900 | 51,990 |
| Parking Tax | 84,278 | 83,484 | 86,020 | 69,461 | 59,350 | 84,580 |
| Sugar Sweetened Beverage Tax | N/A | 7,912 | 16,098 | 13,182 | 14,000 | 14,000 |
| Stadium Admissions Tax | 1,199 | 1,120 | 1,215 | 2,730 | 2,500 | 4,400 |
| Cannabis Tax | N/A | N/A | N/A | N/A | 4,250 | 8,500 |
| Franchise Tax | 17,130 | 16,869 | 15,640 | 16,028 | 15,640 | 15,640 |

1 Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

Source: Office of the Controller, City and County of San Francisco.

## INTERGOVERNMENTAL REVENUES

### State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.

- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-18 reflects the City's actual receipts for fiscal years 2016-17 through 2019-20 and budgeted receipts for fiscal years 2020-21 through 2021-22. As described in the "Impact of the State of California Budget on Local Finances" section above, State-wide sales tax is anticipated to decline and therefore, formula-driven subventions to counties are also expected to decline. The State of California's budget temporarily backfills county realignment revenues in fiscal year 2020-21. The value of this backfill to the City and County of San Francisco is $28.0 million.

*TABLE A-18*

**CITY AND COUNTY OF SAN FRANCISCO**
**Selected State Subventions - All Funds**
**Fiscal Years 2016-17 through 2021-22**
**($millions)**

| Tax | 2016-17 Actuals | 2017-18 Actuals | 2018-19 Actuals | 2019-20 Actuals | 2020-21 Budget[1] | 2021-22 Budget[1] |
|---|---|---|---|---|---|---|
| **Health and Welfare Realignment** | | | | | | |
| General Fund | $192.1 | $197.9 | $217.6 | $219.6 | $190.1 | $197.0 |
| Hospital Fund | 66.1 | 57.3 | 58.5 | 54.1 | 49.2 | 49.2 |
| **Total - Health and Welfare** | **$258.2** | **$255.2** | **$276.1** | **$273.7** | **$239.4** | **$246.2** |
| **Backfill Realignment[3]** | | | | | | |
| General Fund | | | | | $22.1 | |
| Non General Fund | | | | | 6.0 | |
| **Total - Backfill Realignment** | | | | | **$28.0** | |
| Public Safety Realignment (General Fund) | $35.5 | $37.4 | $39.4 | $41.1 | $36.1 | $33.2 |
| Public Safety Sales Tax (Prop 172) (General Fund) | $100.4 | $104.8 | $107.6 | $103.9 | $97.1 | $103.6 |

1 Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

2 Backfill Realignment is a one-time State funding to fill the shortfall in Health and Welfare Realignment and Public Safety Realignment due to the decrease of sales tax and vehicle license fees.

Source: Office of the Controller, City and County of San Francisco.

## CITY GENERAL FUND PROGRAMS AND EXPENDITURES

### General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in Table A-19 below:

*TABLE A-19*

**CITY AND COUNTY OF SAN FRANCISCO**
**Expenditures by Major Service Area**
**Fiscal Years 2016-17 through 2021-22**
**(000s)**

| Major Service Areas | 2016-17 Final Budget | 2017-18 Final Budget | 2018-19 Final Budget | 2019-20 Final Budget | 2020-21 Original Budget[1] | 2021-22 Original Budget[1] |
|---|---|---|---|---|---|---|
| Public Protection | $1,266,148 | $1,316,870 | $1,390,266 | $1,493,240 | $1,448,004 | $1,419,535 |
| Human Welfare & Neighborhood Development | 978,126 | 1,047,458 | 1,120,892 | 1,270,530 | 1,477,225 | 1,272,305 |
| Community Health | 763,496 | 832,663 | 967,113 | 1,065,051 | 1,152,275 | 1,004,399 |
| General Administration & Finance | 252,998 | 259,916 | 290,274 | 332,296 | 363,650 | 367,768 |
| Culture & Recreation | 139,473 | 142,081 | 154,056 | 161,274 | 158,511 | 167,908 |
| General City Responsibilities | 134,153 | 114,219 | 172,028 | 137,851 | 219,635 | 175,806 |
| Public Works, Transportation & Commerce | 166,295 | 238,564 | 214,928 | 216,824 | 186,729 | 167,017 |
| Total[2] | $3,700,689 | $3,951,771 | $4,309,557 | $4,677,066 | $5,006,029 | $4,574,738 |

[1] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

[2] Total may not add due to rounding

Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds (which are not shown on the table above) are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

### Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-20 reflects fiscal year 2020-21 and 2021-22 spending requirements in the Final Adopted Budget. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

If the City's projected deficit exceeds $200 million, the required growth to the Dignity Fund and Recreation and Park baselines are suspended. The projected deficit in the March update to the Five-Year Financial Plan (released March 2020), exceeded $200 million. The suspension is reflected in the fiscal year 2020-21 amounts on Table A-20.

*TABLE A-20*

**CITY AND COUNTY OF SAN FRANCISCO**
**Baselines & Set-Asides**
**FY 2020-21 and FY 2021-22**
**($millions)**

| | 2020-21 Original Budget[1] | 2021-22 Original Budget[1] |
|---|---|---|
| ***Projected General Fund Aggregate Discretionary Revenue (ADR)*** | ***$3,486.8*** | ***$3,905.4*** |
| **Municipal Transportation Agency (MTA)** | | |
| MTA - Municipal Railway Baseline: 6.686% ADR | $240.7 | $276.7 |
| MTA - Parking & Traffic Baseline: 2.507% ADR | 87.4 | 97.9 |
| MTA - Population Adjustment | 55.4 | 57.6 |
| MTA - 80% Parking Tax In-Lieu | 47.5 | 67.7 |
| **Subtotal - MTA** | **$431.0** | **$499.8** |
| **Library Preservation Fund** | | |
| Library - Baseline: 2.286% ADR | $79.7 | $89.3 |
| Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV) | 67.4 | 67.3 |
| **Subtotal - Library** | **$147.1** | **$156.6** |
| **Children's Services** | | |
| *Children's Services Baseline - Requirement: 4.830% ADR* | *$168.4* | *$188.6* |
| Children's Services Baseline - Eligible Items Budgeted | 193.6 | 208.9 |
| *Transitional Aged Youth Baseline - Requirement: 0.580% ADR* | *20.2* | *22.7* |
| Transitional Aged Youth Baseline - Eligible Items Budgeted | 30.9 | 31.0 |
| Public Education Services Baseline: 0.290% ADR | 10.1 | 11.3 |
| NAV | 107.8 | 107.7 |
| *Public Education Enrichment Fund: 3.057% ADR* | *106.6* | *119.4* |
| 1/3 Annual Contribution to Preschool for All | 35.5 | 39.8 |
| 2/3 Annual Contribution to SF Unified School District | 71.1 | 79.6 |
| **Subtotal - Children's Services** | **$449.0** | **$478.3** |
| **Recreation and Parks** | | |
| Open Space Property Tax Set-Aside: $0.025 per $100 NAV | $67.4 | $67.3 |
| *Recreation & Parks Baseline - Requirement* | 76.2 | 79.2 |
| Recreation & Parks Baseline - Budgeted | 84.0 | 80.5 |
| **Subtotal - Recreation and Parks** | **$151.4** | **$147.8** |
| **Other** | | |
| *Housing Trust Fund Requirement* | $39.6 | $42.4 |
| Housing Trust Fund Budget | 39.6 | 42.4 |
| Dignity Fund | 50.1 | 53.1 |
| Street Tree Maintenance Fund: 0.5154% ADR | 18.0 | 20.1 |
| Municipal Symphony Baseline: $0.00125 per $100 NAV | 3.8 | 3.7 |
| City Services Auditor: 0.2% of Citywide Budget | 22.9 | 21.4 |
| **Subtotal - Other** | **$134.3** | **$140.8** |
| **Recently Adopted Expenditure Requirements** | | |
| *Our City, Our Home Baseline Requirement (Nov 2018 Prop C)* | *215.0* | *215.0* |
| Our City, Our Home Budget, Estimated | 266.8 | 279.8 |
| *Early Care and Education Baseline Requirement (June 2018 Prop C)* | *79.7* | *86.5* |
| Early Care and Education Budget | 90.8 | 98.0 |
| **Total Baselines and Set-Asides** | **$1,670.3** | **$1,801.1** |

[1] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

## EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $5.6 billion in fiscal year 2020-21 (all funds) and $5.8 billion in fiscal year 2021-22 in the Final Adopted Budget. For the General Fund, the combined salary and benefits budget is $2.7 billion in fiscal year 2020-21 and $2.6 billion in fiscal year 2021-22 in the Final Adopted Budget.

This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-employment health and medical benefits. Employees of SF Unified School District ("SFUSD"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

### Labor Relations

The City's budget for fiscal year 2020-21 included 38,267 full-time and part-time budgeted and funded City positions. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

Wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of impasse. If impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Nurses and a small group of unrepresented employees. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of sworn police officers and fire fighters.

In May 2019, the City negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with 27 labor unions. This includes the largest unions in the City such as SEIU, IFPTE, Laborers Internationals, Local 261, Consolidated Crafts Coalition, and Municipal Executive Association ("MEA"). For the fiscal year 2019-20, the parties agreed to wage increases of 3% on July 1, 2019 and 1% on December 28, 2019. For fiscal year 2020-21, the parties agreed to a wage increase schedule of 3% on July 1, 2020 and 0.5% on December 26, 2020, with a provision to delay the fiscal year 2020-21 increase by six months if the City's deficit for fiscal year 2020-21, as projected in the March 2020 Update to the Five-Year Financial Plan, exceeds $200 million. Because the March 2020 Update to the Five-Year Financial Plan projected a deficit for fiscal year 2020-21 in excess of $200 million, the scheduled wage increases as described above were delayed by approximately six months. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 increase by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds $200 million.

In September 2020, the City negotiated MOU extensions with labor organizations representing sworn members of Fire and Police departments. These MOUs have been extended two years to now expire on June 30, 2023. The parties agreed to the 3.00% General Wage increase previously deferred until December 26, 2020 to be split and deferred as follows: 1.00% deferred until close of business on June 30, 2022, 2.00% deferred until close of business on June 30, 2023. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021, with a provision to delay the fiscal year 2021-22 increase by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds $200 million. For fiscal year 2022-23, the parties agreed to a wage increase schedule of 3% on July 1, 2022, with a provision to delay the fiscal year 2022-23 increase by six months if the City's deficit for fiscal year 2022-23, as projected in the March 2022 Update to the Five-Year Financial Plan, exceeds $200 million.

Also, in May 2019, the MTA negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others. The parties agreed to the same wage increase schedule as the City, with the same wage deferral triggers.

The March Joint Report does not project a $200 million deficit, so any delays to wage increases predicated on such a deficit, as described above, will not take place. See "RECENT DEVELOPMENTS."

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*TABLE A-21*

**CITY AND COUNTY OF SAN FRANCISCO (All Funds)**
**Employee Organizations as of October 5, 2020**

| Organization | City Budgeted Positions | Expiration Date of MOU |
|---|---|---|
| Automotive Machinists, Local 1414 | 512 | 30-Jun-22 |
| Bricklayers, Local 3 | 6 | 30-Jun-22 |
| Building Inspectors' Association | 91 | 30-Jun-22 |
| Carpenters, Local 22 | 114 | 30-Jun-22 |
| Cement Masons, Local 300 | 43 | 30-Jun-22 |
| Deputy Probation Officers' Association (DPOA) | 133 | 30-Jun-22 |
| Deputy Sheriffs' Association (DSA) | 812 | 30-Jun-22 |
| District Attorney Investigators' Association (DAIA) | 45 | 30-Jun-22 |
| Electrical Workers, Local 6 | 968 | 30-Jun-22 |
| Firefighters' Association, Local 798 | 1,912 | 30-Jun-21 |
| Glaziers, Local 718 | 14 | 30-Jun-22 |
| Hod Carriers, Local 36 | 4 | 30-Jun-22 |
| IATSE, Local 16 | 29 | 30-Jun-22 |
| Ironworkers, Local 377 | 14 | 30-Jun-22 |
| Laborers, Local 261 | 1,169 | 30-Jun-22 |
| Municipal Attorneys' Association (MAA) | 476 | 30-Jun-22 |
| Municipal Executives' Association (MEA) Fire | 9 | 30-Jun-21 |
| Municipal Executives' Association (MEA) Miscellaneous | 1,499 | 30-Jun-22 |
| Municipal Executives' Association (MEA) Police | 16 | 30-Jun-21 |
| Operating Engineers, Local 3 Miscellaneous | 67 | 30-Jun-22 |
| Operating Engineers, Local 3 Supervising Probation | 31 | 30-Jun-22 |
| Painters, SF Workers United | 133 | 30-Jun-22 |
| Pile Drivers, Local 34 | 27 | 30-Jun-22 |
| Plumbers, Local 38 | 358 | 30-Jun-22 |
| Police Officers' Association (POA) | 2,669 | 30-Jun-21 |
| Professional and Technical Engineers, Local 21 | 6,541 | 30-Jun-22 |
| Roofers, Local 40 | 12 | 30-Jun-22 |
| SEIU, Local 1021 Misc | 12,830 | 30-Jun-22 |
| SEIU, Local 1021 Nurses | 1,736 | 30-Jun-22 |
| Sheet Metal Workers, Local 104 | 39 | 30-Jun-22 |
| Sheriffs' Supervisory and Management Association (MSA) | 117 | 30-Jun-22 |
| Soft Tile Workers, Local 12 | 4 | 30-Jun-22 |
| Stationary Engineers, Local 39 | 687 | 30-Jun-22 |
| Teamsters, Local 853 | 187 | 30-Jun-22 |
| Teamsters, Local 856 Miscellaneous | 96 | 30-Jun-22 |
| Teamsters, Local 856 Supervising Nurses | 130 | 30-Jun-22 |
| TWU, Local 200 | 425 | 30-Jun-22 |
| TWU, Local 250-A (9132 Transit Fare Inspectors) | 45 | 30-Jun-22 |
| TWU, Local 250-A (9163 Transit Operator) | 2,720 | 30-Jun-22 |
| TWU, Local 250-A Auto Service Work | 145 | 30-Jun-22 |
| TWU, Local 250-A Miscellaneous | 109 | 30-Jun-22 |
| Union of American Physicians and Dentists (UAPD) | 201 | 30-Jun-22 |
| Unrepresented Employees | 90 | 30-Jun-22 |
| Other | 1002 | |
| | **38,267** [1] | |

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.
Budgeted positions include authorized positions that are not currently funded.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

**San Francisco Employees' Retirement System ("SFERS" or "Retirement System")**

**The SFERS investment portfolio posted a positive return of 2.41% for fiscal year 2019-20. These returns are lower than had been projected when the contribution rate for fiscal year 2020-21 was established, because the COVID-19 Emergency and the ensuing recession have led to stock market volatility. A decline in market value could result in future increases in required pension fund contributions.**

*History and Administration*

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as chief executive officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

The Internal Revenue Service ("IRS") issued a favorable Determination Letter for SFERS in July 2014. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax-exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011. This 2014 Determination Letter has no operative expiration date pursuant to Revenue Procedure 2016-37. The IRS does not intend to issue new determination letters except under special exceptions.

*Membership*

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2020 is 45,070, compared to 44,157 at July 1, 2019. Active membership at July 1, 2020 includes 9,478 terminated vested members and 1,071 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 30,128 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-22 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2015 through July 1, 2019.The active to retiree ratio or "support ratio" is an important indicator of sensitivity to investment returns, assumption changes, and other changes to the System. In particular, if the active to retiree ratio falls, it indicates that any losses on inactive liabilities or assets are likely to place a relatively greater burden on active members and employers. The ratio for SFERS has been relatively stable over the last five years. A survey of the City's peers from the December 2019 Public Plans Database places SFERS' support ratio at a level in the 50th to 75th percentile of pension plans comparable to the City's pension plan.

*TABLE A-22*

**City and County of San Francisco**
**Employees' Retirement System**
**July 1, 2016 through July 1, 2020**

| As of July 1st | Active Members | Vested Members | Reciprocal Members | Total Non-retired | Retirees & Continuants | Active to Retiree Ratio |
|---|---|---|---|---|---|---|
| 2016 | 32,406 | 6,617 | 1,028 | 40,051 | 28,286 | 1.146 |
| 2017 | 33,447 | 7,381 | 1,039 | 41,867 | 29,127 | 1.148 |
| 2018 | 33,946 | 8,123 | 1,060 | 43,129 | 29,965 | 1.133 |
| 2019 | 34,202 | 8,911 | 1,044 | 44,157 | 30,778 | 1.111 |
| 2020 | 34,521 | 9,478 | 1,071 | 45,070 | 30,128 | 1.146 |

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts are for the entire Retirement System and include non-City employees.

*Funding Practices*

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the December 9, 2020 Retirement Board meeting, the Board adopted all recommended demographic assumptions from the experience study dated August 12, 2020. The most significant adjustment was the update to the new Society of Actuaries public plan mortality tables, Pub-2010, for both general and safety members. The Board also adopted lower price and wage inflation rates, from 2.75% to 2.50% and from

3.50% to 3.25%, respectively. The new assumptions are first effective for the July 1, 2020 actuarial valuation. The Board had previously voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40% at its November 2018 meeting, effective for the July 1, 2018 actuarial valuation.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

*Employer Contribution History and Annual Valuations*

Fiscal year 2019-20 City employer contributions to the Retirement System were $701.3 million, which includes $388.4 million from the General Fund. For fiscal year 2020-21, total City employer contributions to the Retirement System are budgeted at $739.3 million, which includes $457.7 million from the General Fund. These budgeted amounts are based upon the fiscal year 2020-21 employer contribution rate of 26.90% (estimated to be 23.5% after the 2011 Proposition C cost-sharing provisions). Employer contribution rates anticipate annual increases in pensionable payroll of 3.5%, and total contributions to the Retirement System could continue to climb even as contribution rates decline. As discussed under "City Budget – Five-Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-23 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2014-15 through 2018-19. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

*TABLE A-23*

**City and County of San Francisco**
**Employees' Retirement System**
**Fiscal Years 2014-2015 through 2018-2019**
**(Amounts in 000s)**

| As of July 1st | Actuarial Liability | Market Value of Assets | Actuarial Value of Assets | Market Percent Funded | Actuarial Percent Funded | Employee & Employer Contributions in prior FY | Employer Contribution Rates[1] in prior FY |
|---|---|---|---|---|---|---|---|
| 2015 | 22,970,892 | 20,428,069 | 19,653,339 | 88.9 | 85.6 | 894,325 | 26.76 |
| 2016 | 24,403,882 | 20,154,503 | 20,654,703 | 82.6 | 84.6 | 849,569 | 22.80 |
| 2017 | 25,706,090 | 22,410,350 | 22,185,244 | 87.2 | 86.3 | 868,653 | 21.40 |
| 2018 | 27,335,417 | 24,557,966 | 23,866,028 | 89.8 | 87.3 | 983,763 | 23.46 |
| 2019 | 28,798,581 | 26,078,649 | 25,247,549 | 90.6 | 87.7 | 1,026,036 | 23.31 |

[1] Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C.
Employer contribution rates for fiscal years 2019-20 and 2020-21 are 25.19% and 26.90%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications.
The information on such website is not incorporated herein by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2019, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

*Risks to City's Retirement Plan*

In its 2019 actuary report, Cheiron identified three primary risks to the System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental COLA risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future Supplemental COLAs to increase contribution rates. Cheiron noted stress testing the supplemental COLA provision shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk prudently.

*Governmental Accounting Standards Board ("GASB") Disclosures*

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAs that have already been granted as of the valuation date. Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-23(a) below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

*TABLE A-23(a)*

**City and County of San Francisco**
**Employees' Retirement System**
**GASB 67/68 Disclosures**
**Fiscal Years 2015-16 through 2019-20**
**(000s)**

| As of June 30th | Collective Total Pension Liability (TPL) | Discount Rate | Plan Fiduciary Net Position | Plan Net Position as % of TPL | Collective Net Pension Liability (NPL) | City and County's Proportionate Share of NPL |
|---|---|---|---|---|---|---|
| 2016 | $25,967,281 | 7.50 % | $20,154,503 | 77.6 % | $5,812,778 | $5,476,653 |
| 2017 | 27,403,715 | 7.50 | 22,410,350 | 81.8 | 4,993,365 | 4,697,131 |
| 2018 | 28,840,673 | 7.50 | 24,557,966 | 85.2 | 4,282,707 | 4,030,207 |
| 2019 | 30,555,289 | 7.40 | 26,078,649 | 85.3 | 4,476,640 | 4,213,807 |
| 2020 | 32,031,018 | 7.40 | 26,620,218 | 83.1 | 5,410,800 | 5,107,271 |

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

While the increase in NPL between fiscal year-ends 2018 and 2019 is attributable to the decline in discount rate from 7.5% to 7.4%, the increase in NPL at fiscal year-end 2020 is due to the lower than expected investment returns during fiscal year 2019-2020.

*Asset Management*

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2020 was 7.25%. For the ten-year and twenty-year periods ending June 30, 2020, annualized investment returns were 9.39% and 6.05% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. These documents are not incorporated herein by reference.

*2011 Voter Approved Changes to the Retirement Plan*

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

Voters of San Francisco approved Proposition C in November 2011 which provided the following:

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between $50,000 and $100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5% and those who earn $100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final, and its implementation increased the July 1, 2016 unfunded actuarial liability by $429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the SFERS Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of $34 million, create additional liability for continuing payments of $114 million, and cause a new unfunded liability of $148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be $260 million, with over $200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board appealed the Superior Court's injunction; however, the injunction was affirmed by the Court of Appeal reserving the power to take action for the City's voters.

In August 2012, then-Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

*Impact on the Retirement System from Changes in the Economic Environment*

As of June 30, 2020, the audited market value of Retirement System assets was $26.6 billion. As of February 28, 2021, the unaudited value of the System assets was $31.2 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

*Other Employee Retirement Benefits*

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS was $40.8 million in fiscal year 2019-20. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 75 Reporting Requirements*."

**Medical Benefits**

*Administration through San Francisco Health Service System; Audited System Financial Statements*

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court; however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service System Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently-audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website at sfhss.org, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (628) 652-4646. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which apply to OPEB trust funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

*Determination of Employer and Employee Contributions for Medical Benefits*

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." The "average contribution" is used to calculate the City's required contribution to the Health Service System Trust Fund for retirees.

Unions representing approximately 93.3% of City employees, negotiate through collective bargaining rather than applying the "average contribution" to determine the amount the City is required to contribute for active employees. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*– Post-Employment Health Care Benefits."*

*[Remainder of Page Intentionally Left Blank]*

*City Contribution for Retirees*

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the table below.

| **Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009** | |
|---|---|
| Years of Credited Service at Retirement | Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3) |
| Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty) | No Retiree Medical Benefits Coverage |
| At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) **(A8.428 Subsection (b)(6))** | 0% - Access to Retiree Medical Benefits Coverage.<br>Including Access to Dependent Coverage |
| At least 10 but less than 15 years of Credited Service with the Employers **(AB.428 Subsection (b)(5))** | 50% |
| At least 15 but less than 20 years pf Credited Service with the Employers **(AB.428 Subsection (b)(5))** | 75% |
| At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(AB.428 Subsection (b)(4))** | 100% |

*Health Care Reform*

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes and the current status are as follow:

- **Excise Tax on High-cost Employer-sponsored Health Plans**
  The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. The National Defense Authorization Act for Fiscal Year 2020 repealed the Cadillac tax, effective January 1, 2020.

- **Health Insurance Tax ("HIT")**
  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. The HIT was in effect in 2020 and substantially impacted rates. The tax was repealed effective January 1, 2021 also by the National Defense Authorization Act for Fiscal Year 2020.

- **Medical Device Excise Tax**
  The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**
  Congress revived and extended the PCORI fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee will now apply to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

*Employer Contributions for San Francisco Health Service System Benefits*

For fiscal year 2019-20, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $822.5 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $697.0 million; approximately $196.5 million of this $697.0 million amount was for health care benefits for approximately 23,201 retired City employees and their eligible dependents, and approximately $500.5 million was for benefits for approximately 32,956 active City employees and their eligible dependents.

The 2021 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 3.85%, which is below national trends of 5.5% to 6%. This can be attributed to several factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City, and reserves are required to protect against this risk. The 2021 aggregate cost of benefits offered by SFHSS to the City increased 3.61% which is also less than the national trends.

*Post-Employment Health Care Benefits*

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and reached the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2019 is approximately $366.6 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

*GASB 75 Reporting Requirements*

In June 2015, GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for Fiscal Year 2017-18. According to GASB's Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

*City's Estimated Liability*

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of the measurement date of June 30, 2019 (issued November 2020), used in the most recent actuarial valuation report updated June 30, 2019, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 8.6%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of $366.6 million divided by the total OPEB liability of $4.3 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was $3.76 billion, and the ratio of the Net OPEB liability to the covered payroll was 104.0%.

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis.  For example, for fiscal year 2019-20 the annual OPEB expense was $330.6 million, and the City paid $236.0 million, which includes "pay-as-you-go" benefit payments and contributions to the Retiree Health Care Trust Fund.

*TABLE A-24*

**CITY AND COUNTY OF SAN FRANCISCO**
**Five-year Trend**
**Fiscal Years 2015-16 to 2019-20**
**(000s)**

| Fiscal Year | Annual OPEB | Percentage of Annual OPEB Cost Funded | Net OPEB Obligation | |
|---|---|---|---|---|
| 2015-16 | 326,133 | 51.8% | 2,147,434 | |
| 2016-17 | 421,402 | 43.6% | 2,384,938 | |
| 2017-18 | 355,186 | 57.4% | 3,717,209 | 1 |
| 2018-19 | 320,331 | 68.2% | 3,600,967 | |
| 2019-20 | 330,673 | 76.8% | 3,915,815 | |

1 Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

## Total City Employee Benefits Costs

Table A-25 provides historical and budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-25 below provides a summary of the City's employee benefit actual costs for fiscal years 2016-17 through 2019-20 and budgeted costs for fiscal years 2020-21 through 2021-22.

*TABLE A-25*

**CITY AND COUNTY OF SAN FRANCISCO**
**Employee Benefit Costs, All Funds**
**Fiscal Years 2016-17 through 2021-22**
**(000s)**

| | 2016-17 Actual[1] | 2017-18 Actual[1] | 2018-19 Actual[1] | 2019-20 Actual[1] | 2020-21 Budget[4] | 2021-22 Budget[4] |
|---|---|---|---|---|---|---|
| SFERS and PERS Retirement Contributions | $554,956 | $621,055 | $650,011 | $751,952 | $785,106 | $803,986 |
| Social Security & Medicare | 196,914 | $212,782 | $219,176 | $228,477 | $231,962 | $233,802 |
| Health - Medical + Dental, active employees [2] | 459,772 | $501,831 | $522,006 | $547,874 | $547,396 | $576,005 |
| Health - Retiree Medical [2] | 165,822 | $178,378 | $186,677 | $196,641 | $218,896 | $232,047 |
| Other Benefits [3] | 21,388 | $44,564 | $26,452 | $28,272 | $31,742 | $37,642 |
| Total Benefit Costs | $1,398,852 | $1,558,609 | $1,604,322 | $1,753,215 | $1,815,103 | $1,883,482 |

[1] Fiscal year 2016-17 through fiscal year 2019-20 figures are actuals.
[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
[4] Reflects Final Adopted Budget for 2020-21 and 2021-22 .

Source: Office of the Controller, City and County of San Francisco.

## INVESTMENT OF CITY FUNDS

*Investment Pool*

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

*Investment Policy*

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement.

*Investment Portfolio*

As of March 31, 2021, the City's surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

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*TABLE A-26*

**City and County of San Francisco**
**Investment Portfolio**
**Pooled Funds**
**As of March 31, 2021**

| Type of Investment | Par Value | Book Value | Market Value |
|---|---|---|---|
| U.S. Treasuries | $6,803,860,000 | $6,831,412,565 | $6,828,943,962 |
| Federal Agencies | 2,994,040,000 | 2,993,257,920 | 3,017,648,330 |
| State and Local Obligations | 54,967,414 | 54,597,045 | 54,991,798 |
| Public Time Deposits | 40,000,000 | 40,000,000 | 40,000,000 |
| Negotiable Certificates of Deposit | 1,705,000,000 | 1,705,000,000 | 1,706,247,353 |
| Money Market Funds | 866,965,544 | 866,965,544 | 866,965,544 |
| Supranationals | 287,135,000 | 285,906,887 | 287,665,542 |
| Total | $12,751,967,958 | $12,777,139,961 | $12,802,462,529 |

March Earned Income Yield: 0.568%

*Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco*
*From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.*

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*TABLE A-27*

**City and County of San Francisco**
**Investment Maturity Distribution**
**Pooled Funds**
**As of March 31, 2021**

| Maturity in Months | | | Par Value | Percentage |
|---|---|---|---|---|
| 0 | to | 1 | 1,774,965,544 | 13.92% |
| 1 | to | 2 | 1,144,667,414 | 8.98% |
| 2 | to | 3 | 1,620,000,000 | 12.70% |
| 3 | to | 4 | 988,965,000 | 7.76% |
| 4 | to | 5 | 478,700,000 | 3.75% |
| 5 | to | 6 | 650,000,000 | 5.10% |
| 6 | to | 12 | 3,703,935,000 | 29.05% |
| 12 | to | 24 | 895,140,000 | 7.02% |
| 24 | to | 36 | 430,495,000 | 3.38% |
| 36 | to | 48 | 495,000,000 | 3.88% |
| 48 | to | 60 | 570,100,000 | 4.47% |
| | | | $12,751,967,958 | 100.00% |

Weighted Average Maturity: 313 Days

*Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco*
*From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.*

*Further Information*

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

## CAPITAL FINANCING AND BONDS

### Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General

Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal years 2020-2029 Capital Plan ("Adopted Capital Plan") was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Adopted Capital Plan contains $39.1 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes $2.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Adopted Capital Plan recommends $20.3 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $10.2 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's Adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs including enhancements are deferred from the plan's horizon.

The Proposed Capital Plan for fiscal years 2022-2031 ("Proposed Capital Plan") has been submitted to the Mayor and the Board of Supervisors for consideration and passage by May 1, 2021. The Proposed Capital Plan contains $38.0 billion in capital investments over the coming decade for all City departments, including $4.6 billion in projects for General Fund-supported departments. The Proposed Capital Plan proposes $1.2 billion for General Fund pay-as-you-go capital projects over the next 10 years, which is $1 billion lower than the Adopted Capital Plan funding level due to budget impacts in the coming years resulting from COVID-19.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

**Tax-Supported Debt Service – City General Obligation Bonds**

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of April 1, 2021, the City had approximately $2.8 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-33.

Table A-28 shows the annual amount of debt service payable on the City's outstanding GO bonds.

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*TABLE A-28*

**CITY AND COUNTY OF SAN FRANCISCO**

**General Obligation Bonds Debt Service**

**As of April 1, 2021 [1] [2]**

| Fiscal Year | Principal | Interest | Annual Debt Service |
|---|---|---|---|
| 2020-21 [3] | $290,515,457 | $100,613,983 | $391,129,440 |
| 2021-22 | 165,278,401 | 100,166,411 | 265,444,812 |
| 2022-23 | 167,235,251 | 92,687,392 | 259,922,643 |
| 2023-24 | 170,311,206 | 85,029,247 | 255,340,452 |
| 2024-25 | 172,516,476 | 77,209,503 | 249,725,979 |
| 2025-26 | 165,471,279 | 69,374,641 | 234,845,920 |
| 2026-27 | 172,030,840 | 62,253,325 | 234,284,165 |
| 2027-28 | 178,064,035 | 55,153,354 | 233,217,390 |
| 2028-29 | 179,726,751 | 48,126,202 | 227,852,953 |
| 2029-30 | 177,385,095 | 40,870,472 | 218,255,567 |
| 2030-31 | 140,701,950 | 33,878,630 | 174,580,580 |
| 2031-32 | 145,470,000 | 28,801,981 | 174,271,981 |
| 2032-33 | 112,225,000 | 23,808,986 | 136,033,986 |
| 2033-34 | 89,255,000 | 19,894,645 | 109,149,645 |
| 2034-35 | 82,055,000 | 16,899,547 | 98,954,547 |
| 2035-36 | 66,535,000 | 14,189,408 | 80,724,408 |
| 2036-37 | 55,540,000 | 12,023,081 | 67,563,081 |
| 2037-38 | 46,270,000 | 10,245,118 | 56,515,118 |
| 2038-39 | 27,315,000 | 8,758,449 | 36,073,449 |
| 2039-40 | 26,445,000 | 7,960,057 | 34,405,057 |
| 2040-41 | 20,200,000 | 7,175,694 | 27,375,694 |
| 2041-42 | 20,880,000 | 6,498,211 | 27,378,211 |
| 2042-43 | 21,590,000 | 5,783,562 | 27,373,562 |
| 2043-44 | 22,330,000 | 5,043,949 | 27,373,949 |
| 2044-45 | 23,090,000 | 4,278,285 | 27,368,285 |
| 2045-46 | 18,515,000 | 3,485,880 | 22,000,880 |
| 2046-47 | 5,005,000 | 2,880,246 | 7,885,246 |
| 2047-48 | 5,170,000 | 2,710,945 | 7,880,945 |
| 2048-49 | 5,345,000 | 2,535,881 | 7,880,881 |
| 2049-50 | 5,530,000 | 2,354,712 | 7,884,712 |
| 2050-51 | 5,725,000 | 2,159,925 | 7,884,925 |
| 2051-52 | 5,935,000 | 1,950,338 | 7,885,338 |
| 2052-53 | 6,155,000 | 1,732,790 | 7,887,790 |
| 2053-54 | 6,380,000 | 1,506,973 | 7,886,973 |
| 2054-55 | 6,610,000 | 1,272,671 | 7,882,671 |
| 2055-56 | 6,855,000 | 1,029,667 | 7,884,667 |
| 2056-57 | 7,110,000 | 777,438 | 7,887,438 |
| 2057-58 | 7,370,000 | 515,551 | 7,885,551 |
| 2058-59 | 3,895,000 | 243,790 | 4,138,790 |
| 2059-60 | 4,010,000 | 123,668 | 4,133,668 |
| **TOTAL [4]** | **$2,838,046,740** | **$962,004,609** | **$3,800,051,349** |

[1] This table includes the City's General Obligation Bonds shown in Table A-33 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Net of payment of principal and interest on the Series 2020D-2 Bonds, all of which came due December 15, 2020.

[4] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

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

**Authorized but Unissued City GO Bonds**

Certain GO bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A ("1992 Proposition A") which authorized the issuance of up to $350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued $89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the " 1992A/2016A Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In 2019 and 2020, the City issued $175.0 million of bonds across two series under the 1992A/2016A Propositions. Currently $85.7 million remains authorized and unissued.

In November 2014, voters approved Proposition A ("2014 Transportation Proposition"), which authorized the issuance of up to $500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued $377.2 million over three series of bonds in 2015, 2018, and 2020, leaving approximately $122.8 million authorized and unissued.

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. On June 2, 2020, the City closed the first series of bonds in the par amount of $49.7 million, leaving $375.3 million authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. On March 30, 2021, the City closed the first series of bonds in the par amount of $254.6 million, leaving $345.4 million authorized and unissued.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to $628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. On March 30, 2021, the City closed the first two series of bonds with a total par amount of $80.7 million, leaving $547.8 million authorized and unissued.

In November 2020, voters approved Proposition A ("2020 Health and Recovery Bond"), which authorized the issuance of up to $487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. As of April 1, 2021, bonds have not been issued yet under this authorization.

**Refunding General Obligation Bonds**

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 ("2004 Resolution"). The 2004 Resolution authorized the issuance of $800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's outstanding General Obligation Bonds. In November of 2011, the Board of Supervisors adopted and the Mayor approved, Resolution No. 448-11 ("2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance $1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. In March of 2020, the Board of Supervisors adopted and the Mayor approved, Resolution No. 097-20 ("2020 Resolution," and together with the 2004 Resolution and 2011 Resolution, the "Refunding Resolutions"). The 2020 Resolution authorized the issuance $1.483 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-29 below.

*TABLE A-29*

**CITY AND COUNTY OF SAN FRANCISCO**
**General Obligation Refunding Bonds**
**As of April 1, 2021**

| Series Name | Date Issued | Principal Amount Issued | Amount Outstanding |
|---|---|---|---|
| 2011-R1 | November 2011 | $339,475,000 | $120,760,000 [1] |
| 2015-R1 | February 2015 | 293,910,000 | 220,830,000 [2] |
| 2020-R1 | May 2020 | 195,250,000 | 195,250,000 [3] |

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

[3] Series 2008-R1 Bonds were refunded by the 2020-R1 Bonds in May 2020.

Table A-30 on the following page lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of April 1, 2021, the City had authorized and unissued general obligation bond authority of approximately $1.96 billion.

*TABLE A-30*

**CITY AND COUNTY OF SAN FRANCISCO**
**General Obligation Bonds**
**As of April 1, 2021[1]**

| Bond Authorization Name | Election Date | Authorized Amount | Series | Bonds Issued | Bonds Outstanding | Authorized & Unissued |
|---|---|---|---|---|---|---|
| Seismic Safety Loan Program | 11/3/92 | $350,000,000 | 1994A | $35,000,000 | - | |
| | | | 2007A | $30,315,450 | $17,151,740 | [2] |
| | | | 2015A | $24,000,000 | - | |
| *Reauthorization to Repurpose for Affordable Housing* | 11/8/16 | | 2019A | $72,420,000 | $71,525,000 | |
| | | | 2020C | $102,580,000 | $102,580,000 | $85,684,550 |
| Clean & Safe Neighborhood Parks | 2/5/08 | $185,000,000 | 2008B | $42,520,000 | - | |
| | | | 2010B | $24,785,000 | - | |
| | | | 2010D | $35,645,000 | $32,910,000 | |
| | | | 2012B | $73,355,000 | - | |
| | | | 2016A | $8,695,000 | $6,855,000 | - |
| San Francisco General Hospital & Trauma Center Earthquake Safety | 11/4/08 | $887,400,000 | 2009A | $131,650,000 | - | |
| | | | 2010A | $120,890,000 | - | |
| | | | 2010C | $173,805,000 | $160,465,000 | |
| | | | 2012D | $251,100,000 | $139,315,000 | |
| | | | 2014A | $209,955,000 | $145,960,000 | - |
| Earthquake Safety and Emergency Response Bond | 6/8/10 | $412,300,000 | 2010E | $79,520,000 | - | |
| | | | 2012A | $183,330,000 | - | |
| | | | 2012E | $38,265,000 | $26,755,000 | |
| | | | 2013B | $31,020,000 | $15,860,000 | |
| | | | 2014C | $54,950,000 | $38,175,000 | |
| | | | 2016C | $25,215,000 | $20,450,000 | - |
| Road Repaving & Street Safety | 11/8/11 | $248,000,000 | 2012C | $74,295,000 | - | |
| | | | 2013C | $129,560,000 | $66,195,000 | |
| | | | 2016E | $44,145,000 | $35,795,000 | - |
| Clean & Safe Neighborhood Parks | 11/6/12 | $195,000,000 | 2013A | $71,970,000 | $36,785,000 | |
| | | | 2016B | $43,220,000 | $22,255,000 | |
| | | | 2018A | $76,710,000 | $43,145,000 | |
| | | | 2019B | $3,100,000 | - | - |
| Earthquake Safety and Emergency Response Bond | 6/3/14 | $400,000,000 | 2014D | $100,670,000 | $69,920,000 | |
| | | | 2016D | $109,595,000 | $68,985,000 | |
| | | | 2018C | $189,735,000 | $132,715,000 | - |
| Transportation and Road Improvement | 11/4/14 | $500,000,000 | 2015B | $67,005,000 | $39,985,000 | |
| | | | 2018B | $174,445,000 | $98,115,000 | |
| | | | 2020B | $135,765,000 | $135,765,000 | $122,785,000 |
| Affordable Housing Bond | 11/3/15 | $310,000,000 | 2016F | $75,130,000 | $46,130,000 | |
| | | | 2018D | $142,145,000 | $98,120,000 | |
| | | | 2019C | $92,725,000 | $25,225,000 | - |
| Public Health and Safety Bond | 6/7/16 | $350,000,000 | 2017A | $173,120,000 | $112,175,000 | |
| | | | 2018E | $49,955,000 | $35,195,000 | |
| | | | 2020D-1 | $111,925,000 | $111,925,000 | |
| | | | 2020D-2 | $15,000,000 | - | - |
| Embarcadero Seawall Earthquake Safety | 11/6/18 | $425,000,000 | 2020A | $49,675,000 | $9,475,000 | $375,325,000 |
| Affordable Housing Bond | 11/5/19 | $600,000,000 | 2021A | $254,585,000 | $254,585,000 | $345,415,000 |
| Earthquake Safety and Emergency Response Bond | 3/3/20 | $628,500,000 | 2021B-1 | $69,215,000 | $69,215,000 | |
| | | | 2021B-2 | $11,500,000 | $11,500,000 | $547,785,000 |
| Health and Recovery Bond | 11/4/20 | $487,500,000 | | | | $487,500,000 |
| SUBTOTAL | | $5,978,700,000 | | $4,014,205,450 | $2,301,206,740 | $1,964,494,550 |

| General Obligation Refunding Bonds | Dated Issued | | | Bonds Issued | Bonds Outstanding | |
|---|---|---|---|---|---|---|
| Series 2011-R1 | 11/9/12 | | | $339,475,000 | $120,760,000 | |
| Series 2015-R1 | 2/25/15 | | | $293,910,000 | $220,830,000 | |
| Series 2020-R1 | 5/7/20 | | | $195,250,000 | $195,250,000 | |
| SUBTOTAL | | | | $828,635,000 | $536,840,000 | |
| **TOTALS** | | **$5,978,700,000** | | **$4,842,840,450** | **$2,838,046,740** | **$1,964,494,550** |

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.
[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds ."

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

**General Fund Lease Obligations**

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-31 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of April 1, 2021.

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*TABLE A-31*

**CITY AND COUNTY OF SAN FRANCISCO**

**Lease Revenue Bonds and Certificates of Participation**

**As of April 1, 2021[1]**

| Fiscal Year[2] | Principal | Interest [3] | Annual Payment Obligation |
|---|---|---|---|
| 2020-21 [4] | $4,180,000 | $1,545,850 | $5,725,850 |
| 2021-22 | 57,450,000 | 63,502,975 | 120,952,975 |
| 2022-23 | 61,915,000 | 59,596,644 | 121,511,644 |
| 2023-24 | 64,900,000 | 56,684,668 | 121,584,668 |
| 2024-25 | 66,200,000 | 53,603,887 | 119,803,887 |
| 2025-26 | 67,610,000 | 50,504,966 | 118,114,966 |
| 2026-27 | 70,820,000 | 47,263,427 | 118,083,427 |
| 2027-28 | 65,765,000 | 44,053,307 | 109,818,307 |
| 2028-29 | 70,760,000 | 40,882,160 | 111,642,160 |
| 2029-30 | 71,370,000 | 37,754,063 | 109,124,063 |
| 2030-31 | 66,675,000 | 34,920,514 | 101,595,514 |
| 2031-32 | 59,625,000 | 32,379,816 | 92,004,816 |
| 2032-33 | 60,560,000 | 30,127,441 | 90,687,441 |
| 2033-34 | 62,850,000 | 27,680,760 | 90,530,760 |
| 2034-35 | 55,815,000 | 25,353,447 | 81,168,447 |
| 2035-36 | 55,880,000 | 22,944,643 | 78,824,643 |
| 2036-37 | 55,370,000 | 20,494,029 | 75,864,029 |
| 2037-38 | 57,615,000 | 18,059,264 | 75,674,264 |
| 2038-39 | 59,945,000 | 15,524,156 | 75,469,156 |
| 2039-40 | 62,385,000 | 12,882,072 | 75,267,072 |
| 2040-41 | 64,915,000 | 10,131,868 | 75,046,868 |
| 2041-42 | 56,000,000 | 7,430,811 | 63,430,811 |
| 2042-43 | 20,990,000 | 5,247,200 | 26,237,200 |
| 2043-44 | 19,855,000 | 4,388,600 | 24,243,600 |
| 2044-45 | 20,650,000 | 3,594,400 | 24,244,400 |
| 2045-46 | 13,695,000 | 2,768,400 | 16,463,400 |
| 2046-47 | 14,245,000 | 2,220,600 | 16,465,600 |
| 2047-48 | 13,220,000 | 1,650,800 | 14,870,800 |
| 2048-49 | 13,750,000 | 1,122,000 | 14,872,000 |
| 2049-50 | 14,300,000 | 572,000 | 14,872,000 |
| **TOTAL [5]** | **$1,449,310,000** | **$734,884,768** | **$2,184,194,768** |

[1] Excludes the 833 Bryant lease, commercial paper and the following privately placed lease purchase financings (with current outstanding amounts):

SFGH Emergency Backup Generators Project ($10,086,565)

Gsmart Citywide Emergency Radio Replacement Project ($21,185,295)

[2] For the Series 2018A (Refunding Open Space LRBs), reflects 7/1 payments to be paid in the current fiscal year, as budgeted.

[3] Totals reflect rounding to nearest dollar.

[4] Excludes payments made to date in current fiscal year.

[5] For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.50%. These bonds are in variable rate mode.

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

**Voter-Approved Lease Revenue Bonds**

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002.

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease- purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of January 15, 2021, the total authorized and unissued amount for such financings was $82.3 million.

In 1994, voters approved Proposition B ("1994 Proposition B"), which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of 1994 Proposition B lease revenue bonds, respectively, leaving $14.1 million in remaining authorization. There is no current plan to issue additional series of bonds under 1994 Proposition B.

In 2000, voters approved Proposition C ("2000 Proposition C"), which extended a two- and one-half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of $29.1 million to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

In 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two- and one-half cent per $100.0 in assessed valuation property tax set-aside and established a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of $12.2 million, to refund Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-32 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

*TABLE A-32**

**CITY AND COUNTY OF SAN FRANCISCO**
**Outstanding Certificates of Participation and Lease Revenue Bonds**
**As of April 1, 2021**

| Issue Name | Final Maturity | Original Par | Outstanding Principal |
|---|---|---|---|
| **CERTIFICATES OF PARTICIPATION** | | | |
| Series 2009C (525 Golden Gate Avenue) | 2022 | $38,120,000 | $8,535,000 |
| Series 2009D - Taxable BABs (525 Golden Gate Avenue) | 2041 | 129,550,000 | 129,550,000 |
| Refunding Series 2011A (Moscone Center South) | 2024 | 23,105,000 | 9,420,000 |
| Series 2012A (Multiple Capital Improvement Projects) | 2036 | 42,835,000 | 31,055,000 |
| Series 2013B - Non-AMT (Port Facilities Project) | 2038 | 4,830,000 | 4,830,000 |
| Series 2013C - AMT (Port Facilities Project) | 2043 | 32,870,000 | 22,685,000 |
| Refunding Series 2014-R2 (Juevenile Hall Project) | 2034 | 33,605,000 | 24,560,000 |
| Series 2015A (War Memorial Veterans Building) | 2045 | 112,100,000 | 112,100,000 |
| Series 2015B - Taxable (War Memorial Veterans Building) | 2024 | 22,225,000 | 5,185,000 |
| Refunding Series 2015-R1 (City Office Buildings - Multiple Properties) | 2040 | 123,600,000 | 108,765,000 |
| Series 2016A (War Memorial Veterans Building) | 2032 | 16,125,000 | 11,630,000 |
| Series 2017A - Taxable (Hope SF) | 2047 | 28,320,000 | 25,850,000 |
| Series 2017B (Moscone Convention Center Expansion Project) | 2042 | 412,355,000 | 381,445,000 |
| Series 2019A (49 South Van Ness Project) | 2050 | 247,810,000 | 245,700,000 |
| Refunding Series 2019-R1 (Multiple Capital Improvement Projects) | 2035 | 116,460,000 | 99,985,000 |
| Refunding Series 2020-R1 (Multiple Capital Improvement Projects) | 2033 | 70,640,000 | 70,640,000 |
| Series 2020 (Animal Care & Control Project) | 2041 | 47,075,000 | 47,075,000 |
| **Subtotal Certificates of Participation** | | **$1,501,625,000** | **$1,339,010,000** |
| **LEASE PURCHASE FINANCING** | | | |
| 2010 Lease Purchase Financing (SFGH Emergency Backup Generators) | 2025 | $22,549,489 | $10,086,565 |
| 2016 Lease Purchase Financing (Public Safety Radio Replacement Project) | 2026 | 34,184,136 | 21,185,295 |
| **Subtotal Lease Revenue Bonds** | | **$56,733,625** | **$31,271,861** |
| **FINANCE CORPORATION LEASE REVENUE BONDS** | | | |
| Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable | 2030 | $72,670,000 | $32,700,000 |
| Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable | 2030 | 72,670,000 | 32,700,000 |
| Refunding Series 2010-R1 (Emergency Communications System) | 2024 | 22,280,000 | 4,750,000 |
| Refunding Series 2018A (Open Space Fund - Various Park Projects) | 2029 | 34,950,000 | 29,090,000 |
| Refunding Series 2018B (Branch Library Improvement Program) | 2028 | 13,355,000 | 11,060,000 |
| **Subtotal Lease Revenue Bonds** | | **$215,925,000** | **$110,300,000** |
| **Total General Fund Obligations** | | **$1,774,283,625** | **$1,480,581,861** |

*Excludes California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) ($26,985,000)

**Board Authorized and Unissued Long-Term Certificates of Participation**

*Treasure Island Improvement Project:* In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates.

*Housing Trust Fund Project:* In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in fiscal year 2021-22.

*Hall of Justice Relocation Projects*: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $94.6 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to (i) finance or refinance the site acquisition of 814-20 Bryant Street and 470 6$^{th}$ Street and related construction, acquisitions, and improvement costs; and (ii) finance or refinance the acquisition of 1828 Egbert Avenue and related construction, acquisitions, and improvement costs. The City anticipates issuing the certificates in April/May 2021.

Also in October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $62.0 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City anticipates issuing a portion of the certificates in April/May 2021 and the remainder in fiscal year 2021-22.

*HOPE SF Project*: In December 2019, the Board authorized and the Mayor approved the issuance of not to exceed $83.6 million of City and County of San Francisco Certificates of Participation to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the certificates in fiscal year 2022-23.

*Department of Public Health Facilities Improvements*: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed $157.0 million of City and County of San Francisco Certificates of Participation to finance projects for the Department of Public Health, including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the certificates in fiscal year 2022-23.

## Commercial Paper Program

In March 2009, the Board authorized and the Mayor approved a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). In July of 2013, the Board authorized, and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million. Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project.

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by credit facilities from: (i) State Street Bank and Trust Company (with a maximum principal amount of $75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of $75 million). These credit facilities expire in May 2021. The Series 3 and 3-T and 4 and 4-T are secured by a $100 million letter of credit issued by State Street Bank and Trust Company expiring in February 2022.

As of April 1, 2021, the outstanding principal amount of CP Notes is $112.6 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.13%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

| **Project** | **CP Notes Liability as of 4/1/2021** |
|---|---:|
| Housing Trust Fund | $18,750,000 |
| Hall of Justice Relocation | $83,965,000 |
| SFGH FF&E | $9.885,000 |
| **TOTAL** | **$112,600,000** |

## Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of April 1, 2021 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

*TABLE A-33*

**CITY AND COUNTY OF SAN FRANCISCO**
**Statement of Direct and Overlapping Debt and Long-Term Obligations**
**As of April 1, 2021**

| | | |
|---|---|---|
| 2020-21 Assessed Valuation (includes unitary utility valuation): | $302,011,940,399 | 1 |
| **GENERAL OBLIGATION BONDED DEBT** | | |
| San Francisco City and County | $2,838,046,740 | |
| San Francisco Unified School District | 1,055,950,000 | |
| San Francisco Community College District | 492,235,000 | |
| **TOTAL GENERAL OBLIGATION BONDS** | $4,386,231,740 | |
| **LEASE OBLIGATIONS BONDS** | | |
| San Francisco City and County | $1,470,495,295 | |
| **LONG-TERM OBLIGATIONS** | $1,470,495,295 | 2 |
| **TOTAL COMBINED DIRECT DEBT** | $5,856,727,035 | |
| **OVERLAPPING TAX AND ASSESSMENT DEBT** | | |
| Bay Area Rapid Transit District General Obligation Bond (34.606%)[2] | $652,971,389 | 3 |
| San Francisco Community Facilities District No. 4 | 10,600,000 | |
| San Francisco Community Facilities District No. 6 | 119,807,107 | |
| San Francisco Community Facilities District No. 7 | 32,280,000 | |
| San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2 | 2,587,770 | |
| San Francisco Community Facilities District No. 2014-1 Transbay Transit Center | 472,840,000 | |
| San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Area No. 1 | 17,135,000 | |
| City of San Francisco Assessment District No. 95-1 | 360,000 | |
| ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements | 9,195,000 | |
| ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill | 4,970,000 | |
| ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza | 2,840,000 | |
| **TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT** | $1,325,586,266 | |
| **OVERLAPPING TAX INCREMENT DEBT:** | | |
| Successor Agency to the San Francisco Redevelopment Agency | $738,895,372 | |
| Transbay Joint Powers Authority | 264,585,000 | |
| **TOTAL OVERLAPPING INCREMENT DEBT** | $1,003,480,372 | |
| **TOTAL DIRECT AND OVERLAPPING BONDED DEBT** | $8,185,793,673 | 4 |
| **Ratios to 2020-21 Assessed Valuation ($302,011,940,399)** | **Actual Ratio** | |
| Direct General Obligation Bonded Debt ($4,386,231,740) | 1.45% | 5 |
| Combined Direct Debt ($5,856,727,035) | 1.94% | |
| Total Direct and Overlapping Bonded Debt | 2.71% | |
| **Ratio to 2020-21 Redevelopment Incremental Valuation ($37,591,667,028)** | | |
| Total Overlapping Tax Increment Debt | 2.67% | |

[1] Includes $602,779,710 homeowner's exemption for FY20-21.

[2] Excludes 833 Bryant lease and privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of $10,086,565 as of 1/1/21.

[3] Reflects 2020-21 ratio.

[4] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds

[5] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY20-21 AV is 0.80%.

Source: California Municipal Statistics Inc., Office of Public Finance, City and County of San Francisco

**CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES**

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

**Article XIIIA of the California Constitution**

Article XIIIA of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIIIA) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII.

**Article XIIIB of the California Constitution**

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIIIB includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years.

**Articles XIIIC and XIIID of the California Constitution**

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIIID to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIIIC requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIIIC addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIIIC, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness, and which could be reduced by initiative under Article XIIIC. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

**Proposition 1A**

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

**Proposition 22**

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see “San Francisco Redevelopment Agency Dissolution” above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

**Proposition 26**

On November 2, 2010, the voters approved Proposition 26 (“Proposition 26”), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

**Future Initiatives and Changes in Law**

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq*.) govern local tax and fee refund actions (absent another State statue governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

**LEGAL MATTERS AND RISK MANAGEMENT**

**Pending Litigation**

There are a number of lawsuits and claims routinely pending against the City. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

**Ongoing Investigations**

On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Transbay Transit Center, in exchange for personal benefits provided by the restauranteur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

The City Attorney's Office, in conjunction with the Controller's Office, is seeking to identify officials, employees and contractors involved in these schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Controller's Office, in conjunction with the City Attorney's Office, has put into place interim controls to review Public Works contracts for red flags and process failures. The Controller's Office is also working with the City Attorney's Office to identify whether stop payments, cancellations or other terminations are justified on any open contracts, purchase orders or bids. Also, the Controller, in coordination with the City Attorney's Office, intends to produce periodic public reports setting forth assessments of patterns and practices to help prevent fraud and corruption and recommendations about best practices, including possible changes in City law and policy.

On March 10, 2020, the City Attorney transmitted to the Mayor its preliminary report of investigations of alleged misconduct by the City's Director of the Department of Building Inspections ("DBI"). The allegations involve violations of the City Campaign and Conduct Code and DBI's Code of Professional Conduct by the Director by (i) providing intentional and preferential treatment to certain permit expediters, (ii) accepting gifts and dinners in violation of DBI's professional code of conduct, and (iii) otherwise violating City laws and policies by abusing his position to seek positions for his son and son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

On June 29, 2020, the Controller released its preliminary assessment of Citywide procurement practices, with an emphasis on the Public Works Department. The report is subject to public comment and review and could be revised in the future. The preliminary assessment focused on City laws, practices and policies and made recommendations to make improvements on such City laws and policies to improve transparency, reduce the risk of loss and abuse in City contracting in the future. The Controller expects to issue additional reports in the future. Reviews of the City internal controls will be released in a subsequent report. Finally, the City Attorney investigation continues with respect to the review certain contracts and payments made to outside vendors. To date, the City Attorney's investigation has led to the release of four city employees (including the Director of Public Works and the Director of Building Inspections, as described above) or officials from their City positions.

On September 24, 2020 the Controller issued an additional report noting that Mr. Nuru also solicited donations from private sources and directed those donations to a non-profit supporting the Department of Public Works. Such arrangements, which were neither accepted or disclosed by the City, created a perceived risk of "pay-to-play" relationships. The report made recommendations to the Board of Supervisions that, among other things, would restrict the ability of department heads from soliciting donations from interested parties in the future and would increase transparency surrounding gifts made to benefit City departments.

On November 30, 2020, Harlan L. Kelly, Jr., the General Manager of the San Francisco Public Utilities Commission ("PUC"), was charged in a federal criminal complaint with one count of honest services wire fraud. The complaint alleges that Mr. Kelly engaged in a long-running bribery scheme and corrupt partnership with Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. The complaint further alleges that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. Earlier criminal charges filed against Walter Wong alleged that Mr. Wong conspired with multiple City officials, including former Public Works Director Mohammed Nuru, in a conspiracy and money laundering scheme. Mr. Wong pled guilty in July of this year and is cooperating with the ongoing federal investigation.

Mr. Kelly resigned on December 1, 2020, and the PUC's Commission acted on his resignation on December 8, 2020. Until the PUC's Commission nominates and the Mayor appoints a new General Manager, Michael Carlin (PUC Deputy General Manager) is serving as the Acting General Manager for the PUC.

In addition to the joint investigation by the City Attorney's Office and the Controller's Office, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be.

On March 4, 2021, the City Attorney announced an approximately $100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to former Public Works Director Mohammed Nuru ("Nuru") and others. As part of the Settlement, Recology will be required to lower commercial and residential rates starting April 1, 2021, and make a $7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology is subject to approval by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing.

The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing. The City Attorney, together with the City's Controller, continues to undertake an internal investigation of City contracting and policies and procedures arising from the federal charges.

**Risk Retention Program**

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department.

For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the PUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the Comprehensive Annual Financial Report. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims, and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

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# APPENDIX B

# COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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# CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

## Comprehensive Annual Financial Report
## Year ended June 30, 2020


**Prepared by:**
**Office of the Controller**

**Ben Rosenfield**
**Controller**

**CITY AND COUNTY OF SAN FRANCISCO**

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# INTRODUCTORY SECTION





February 26, 2021

The Honorable Mayor London N. Breed
The Honorable Members of the Board of Supervisors
Residents of the City and County of San Francisco
San Francisco, California

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the fiscal year (FY) ended June 30, 2020, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in the Basic Financial Statements in this CAFR. The CAFR also incorporates financial statements of various City enterprise funds and component units that issue separate financial statements, including the San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City and County of San Francisco Finance Corporation, the San Francisco County Transportation Authority, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, the City and County of San Francisco Retiree Health Care Trust, and the Successor Agency to the San Francisco Redevelopment Agency.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditor's report.

## SAN FRANCISCO GOVERNMENT:

### Profile of San Francisco Government

The City and County of San Francisco was established in 1850 and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

**The Pandemic's Impact on the City's Economy and Finances**

A new coronavirus strain, SARS-CoV-2, caused the disease termed COVID-19, which began to spread in Asia in late 2019 and to the United States and other parts of the world by early 2020. The first case was reported in the Bay Area in March 2020. By the end of March 2020, 186,000 cases had been confirmed in the U.S., 8,000 in California, and 573 in San Francisco. Just three months later, at the close of the fiscal year, these numbers had increased to 2.6 million, 223,000, and 4,000, respectively.

Worldwide public health interventions to contain the disease have focused on efforts to slow transmission through encouragement or mandates to wear masks and by minimizing individual contacts through travel restrictions and mandated suspension of many types of business, social, and cultural interactions. In San Francisco, the Mayor and Public Health Director, together with other Bay Area counties, imposed a shelter-in-place order on March 16, 2020. The State of California took similar steps statewide shortly thereafter. These orders required the closure of all non-essential businesses in the City and required other limitation of social interactions. All private and public schools in the City suspended in-person sessions in March 2020.

The pandemic, and the necessary public health response to it, ended the longest period of economic expansion in U.S. history. Within the first month, over 20 million jobs were lost across the country, equal to the total employment gains during the previous ten years. Given the rapid impact of the pandemic and the public health response to it, national gross domestic product declined by 31.4 percent on an annualized basis in the final quarter of FY 2019-20.

The economic impacts in San Francisco in this same quarter were profound. The San Francisco metro division lost nearly 175,000 jobs between March and April 2020, with a modest recovery of 45,000 of these jobs by the end of the fiscal year. Domestic and international enplanements at San Francisco International Airport declined by 90 percent during the quarter, given national and international travel restrictions. Public transit ridership via BART and Muni declined by 94.4 percent and 81.8 percent, respectively, during the quarter as many employers required employees to work remotely and cultural activities in the City were curtailed. Hotel occupancy rates declined to 21 percent from 85 percent in the same period the prior year.

This loss of economic activity resulted in significant losses of tax revenues during FY 2019-20 for economically sensitive revenue streams. Hotel, sales, and parking taxes for the final quarter of FY 2019-20 declined by 80 percent, 7 percent, and 22 percent, respectively, versus the previous quarter. These losses were limited to the final quarter of the fiscal year, and were offset by less immediately impacted General Fund revenue sources, resulting in overall General Fund revenue losses of $417 million, or 7 percent, compared to the prior fiscal year. These losses were offset by expenditure reductions and a limited draw on the City's discretionary reserves, implemented by the Mayor in May 2020.

The City's final General Fund financial results for the year remain strong by historical standards, given that these partial year revenue losses were offset by a rapidly-implemented budget adjustment plan. General Fund cash increased by 6 percent to $3.49 billion, and total GAAP fund balances declined by a modest 1.1 percent to $2.69 billion. The City's primary rainy day reserves, not including one-time reserves, which will be drawn in FY 2020-21 and the years beyond as the City weathers and recovers from the pandemic, totaled $537 million as of June 30, 2020, equal to 10 percent of City General Fund revenues.

The pandemic's health, economic, and financial impacts have heightened during FY 2020-21. In May 2020, the Controller's Office, the Mayor's Budget Office, and the Board of Supervisors Budget & Legislative Analyst's Office projected a combined $1.7 billion General Fund shortfall for FY 2020-21 and FY 2021-22. The Mayor proposed a budget to close this projected shortfall in August 2020. The final City budget was adopted by the Board in September 2020. The final adopted budget for the City was predicated on a gradual





economic and tax revenue recovery beginning in late FY 2020-21, and bridged this projected shortfall through use of reserves, reduction in capital and other citywide spending programs, inflationary cost controls, deferral of planned new programs, limited operating budget reductions, and voter-adoption of a business tax measure on the November 2020 ballot. This measure was approved by the voters, as were two other taxes that will provide some relief financial benefit to the City in years ahead.

The City's Five-Year Financial Plan, updated in January 2021, projects a two-year General Fund shortfall for FY 2021-22 and FY 2022-23 of $653 million, followed by lower structural shortfalls in fiscal years thereafter as revenues are projected to rebound more robustly. The City is in the early phases of preparation of the FY 2021-22 and FY 2022-23 budget.

**The City's Response to the Pandemic**

As a combined city and county, San Francisco's response to the pandemic has been broad and comprehensive, focusing on increasing capacity in the City's healthcare systems to treat those requiring medical care, safeguarding vulnerable population with shelter, food, and other economic and social supports, and providing new health services to contain transmission of the disease, including testing, contact tracing, and public information services.

The Mayor activated the City's Emergency Operations Center in February 2020, which organized the City's multi-agency response into a unified command structure reporting to the Mayor through a policy group that includes the City's Director of Emergency Management, Director of Public Health, and Director of the Human Services Agency. This operations center, relocated to the City's primary convention center, organized the City's emergency response activities, which have been supported by approximately 9,000 City employees and contractors who have been redeployed as disaster services workers.

Through this structure, the City worked to fortify and expand the City's health systems to manage increasing caseloads and hospitalizations associated with the pandemic. These efforts included expanded hospital staffing, acquisition of additional space and equipment to expand capacity in the expected event of a surge in hospitalizations, and the purchase of large inventories of protective equipment for health and other first responder staff. Through these efforts and in coordination with private healthcare providers, the City expanded access to surge medical beds systemwide. The City has operated several mass COVID-19 testing sites. Established in April 2020 and quickly ramping up, these sites have performed the majority of tests performed in San Francisco. San Francisco's overall testing rate – averaging over 3,000 daily by the end of the fiscal year and over 8,000 by the end of the calendar year – have been the highest of any county in California.

The City implemented new programs to support those most vulnerable to the pandemic. The City has supported a large expansion of home-delivered and other food security programs, including support of local non-profit food bank programs supporting 80,000 additional households and a program to provide over 140,000 meals for seniors each month from local restaurants. In an effort to safeguard vulnerable individuals, the City has leased and staffed approximately 2,500 hotel rooms to provide temporary shelter to homeless individuals. Additional hotels have been leased to provide an ability for others to isolate and quarantine following exposure to the virus but without an ability to do so at home.

The City has provided various economic supports for those most impacted by the economic effects stemming from the pandemic. These include local and state restrictions on evictions of both residential and commercial tenants during the emergency and philanthropically funded wage stipends for low-income workers required to quarantine following exposure. Small business loan and grant programs using local funds have augmented larger efforts funded through two approved federal stimulus bills. To provide financial relief to targeted businesses, various fees and taxes have been deferred and, in some limited cases, forgiven by the City.

In total, the City's response costs totaled $522 million in FY 2019-20 to support these and other activities, almost entirely supported by federal and state funds that were claimed or received by the end of the fiscal year. These programs have continued and expanded in FY 2020-21, including a growing operational and planning focus on vaccination of San Francisco residents.

**Long-Term Initiatives**

While uncertainty exists regarding the post-pandemic City economy – particularly regarding the pace of the recovery of the hospitality industry and changes to demand for office space following a period of large-scale telecommuting – the long-term fundamentals for the City and the Bay Area remain strong. A highly-educated population, proximity to a large cluster of higher-education and medical institutions, availability of capital, and a rich array of cultural and recreational resources will continue to make the City and the broader Bay Area an attractive place to live, visit, and work.

The City is continuing to make progress on key challenges to this long-term prosperity, including improving the availability of housing affordable to a diverse population, improving services and outcomes for homeless individuals, and the provision of efficient transit services.

While average rents fell in San Francisco during FY 2019-20, the availability of housing affordable to the City's diverse population remains a central risk to the City's prosperity and has continued to be a core policy focus of both the Mayor and Board of Supervisors. A large amount of private construction was completed or underway during FY 2019-20, with over 4,300 housing units completed, and nearly 9,500 additional units under construction at the end of the fiscal year. Much of this development is shaped by major area planning efforts that the City completed in prior years, including in the Eastern Neighborhoods, Market & Octavia, Mission Bay, the Transit Center District, Treasure Island, the Hunters Point Shipyard, and Park Merced.

The City continues to prioritize investments in subsidized affordable housing for lower income families and individuals. A gradually increasing share of new private housing development will have to be constructed for low- and moderate-income households, as required by City development requirements adopted in 2017. The City, through the Mayor's Office of Housing and Community Development, disbursed approximately $291 million in loans to purchase, produce or preserve affordable housing in FY 2019-20, and is implementing programs supported by $1.2 billion in general obligation bonds approved by the voters in 2015, 2016, and 2019. Since 2014, the City has produced or preserved approximately 9,750 units of affordable housing and is expected to enable approximately 2,800 units to start construction in the next four years.

Long-term challenges, including gaps in housing affordability, income inequality, and other factors, have historically caused a large incidence of homelessness in both the State and the City. Improving services available to this population with the goal of transitioning individuals to longer-term stability is not only key to their individual health and safety but to the broader resident and business community in the City, who have consistently ranked homelessness as the City's largest challenge.

While public health risks have required the partial closure of the City's congregate shelters during the pandemic, the City has expanded planning and implementation efforts for new temporary and permanent housing options for homeless individuals once the pandemic subsides. The City has announced plans to transition approximately 2,500 homeless individuals who have been housed in temporary hotel shelter during the pandemic into long- and mid-term housing solutions as the pandemic fades – the largest housing placement effort in modern City history. The Mayor's initiative to expand the City's congregate shelter system by 1,000 beds, or approximately 50 percent, has been delayed by the emergency but is proceeding, most recently with the opening of a new navigation center in the Bayview neighborhood in January 2021. These and other efforts are aided through the voter-approved bonds highlighted above and the City's recent successful legal defense of a business tax measure for homeless services approved by the voters in 2018. This tax will generate approximately $350 million annually for these and other services, allowing a significant expansion of services to improve outcomes for those experiencing homelessness.

Long-term job growth and housing scarcity will continue to place strains on the Bay Area's transportation networks. To meet this challenge, the City is making sizable investments to mitigate some of these pressures by upgrading its aging transit and road infrastructure to improve public transit service and enhance mobility for residents, businesses, and visitors. A $500 million general obligation bond, approved





by voters in November 2014, is funding an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately $100 million of these funds are allocated for major infrastructure improvements along Market Street, the City's most prominent downtown corridor and the spine of the City's transportation network.

The City is in the final stages of constructing the Central Subway. When completed, the $1.6 billion rail project will extend subway service in the City for the first time in decades, better connecting Chinatown, the Financial District and the City's convention center with the existing above ground light rail line along Third Street. Other significant transit improvement projects in planning or construction phases include the installation of a new rapid bus line along Van Ness Avenue and enhancements to other rail and bus rapid transit routes serving other areas of the City. The City's transit vehicle fleet – among the oldest in the country when replacement plans commenced in 2017 – is now the newest and greenest. These vehicles carry 26 percent of all daily trips in the City yet generates less than one percent of the City's transportation sector greenhouse gas emissions.

Preliminary planning is underway for several possible regional and local transportation measures in the coming several fiscal years, including a planned general obligation bond for the City's transit system and possible regional ballot measures to fund significant regional transportation network needs.

Continued progress on these three related long-term issues – housing, homelessness, and transportation – will help to ensure the long-term prosperity of the City and those who live, work, and visit here.

**OTHER INFORMATION:**

**San Francisco's Budgetary Process**

The budget is adopted at the account, authority or project level of expenditure within each department, and the department, fund, account, authority or project is the legal level of budgetary control. The notes to the budgetary comparison schedule in the required supplementary information section summarize the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City is required to adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2020-21 and 2021- 22, there were four departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

As further required by these amendments, the Board of Supervisors and Mayor adopt a five-year financial plan every two years. The most recent plan was adopted in March 2019. The latest plan was issued in December 2020 and will be considered by the Board of Supervisors in coming months. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

**Internal and Budgetary Controls**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are carried forward and are not reappropriated in the following year's budget.

**Independent Audit**

The City's Charter requires an annual audit of the Controller's records. These records, represented in the basic financial statements included in the CAFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the Retiree Health Care Trust, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The Independent Auditor's Report on our current year's financial statements is presented in the Financial Section.

**Award for Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019. This was the 38th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

**Acknowledgements**

I would like to express my appreciation to the entire staff of the Controller's Office and the broader group of City financial staff whose professionalism, dedication, and efficiency are responsible for the preparation of this report, and more broadly the City's financial operations during this past challenging year. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their leadership in planning and conducting the City's financial operations.

Respectfully submitted,

Ben Rosenfield
Controller



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City and County of San Francisco California**

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

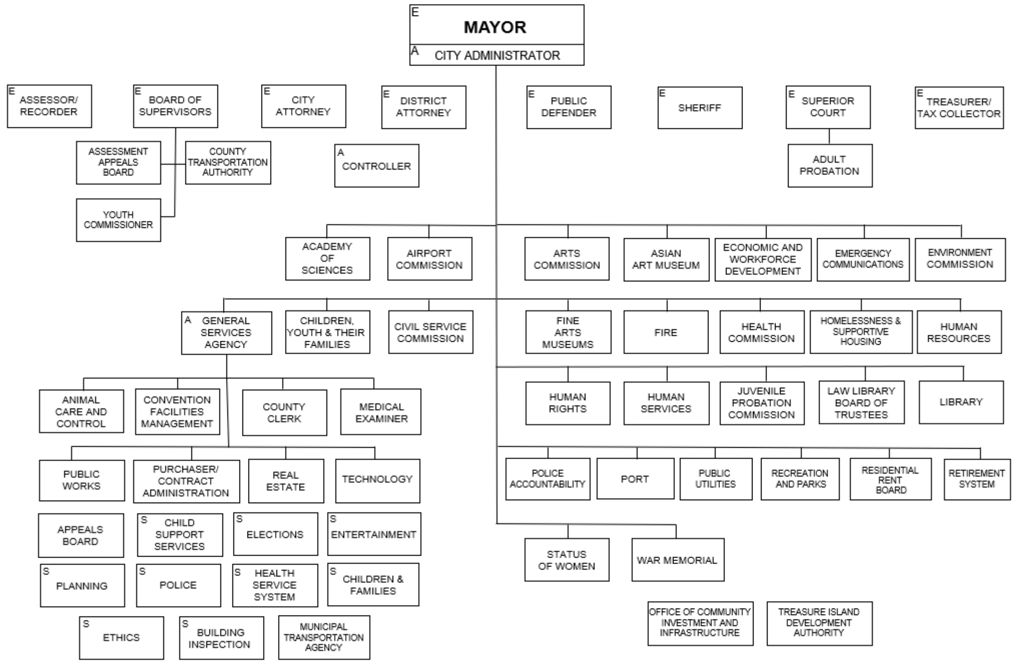
June 30, 2019

Christopher P. Morrill

Executive Director/CEO

# City and County of San Francisco Organization Chart

(As of June 30, 2020)




**A** = Appointed / **E** = Elected / **S** = Shared – appointed by various elected officials.

viii

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## CITY AND COUNTY OF SAN FRANCISCO

**List of Principal Officials**
As of June 30, 2020

### ELECTED OFFICIALS

| | |
|---|---|
| Mayor | London Breed |
| Board of Supervisors: | |
| President | Norman Yee |
| Supervisor | Dean Preston |
| Supervisor | Gordon Mar |
| Supervisor | Rafael Mandelman |
| Supervisor | Aaron Peskin |
| Supervisor | Sandra Lee Fewer |
| Supervisor | Catherine Stefani |
| Supervisor | Hillary Ronen |
| Supervisor | Ahsha Safai |
| Supervisor | Shamann Walton |
| Supervisor | Matt Haney |
| Assessor/Recorder | Carmen Chu |
| City Attorney | Dennis J. Herrera |
| District Attorney | Chesa Boudin |
| Public Defender | Manohar Raju |
| Sheriff | Paul Miyamoto |
| Superior Courts | |
| Presiding Judge | Judge Garrett L. Wong |
| Treasurer/Tax Collector | José Cisneros |

### APPOINTED OFFICIALS

| | |
|---|---|
| City Administrator | Naomi Kelly |
| Controller | Benjamin Rosenfield |

### DEPARTMENT DIRECTORS/ADMINISTRATORS

| | |
|---|---|
| Airport | Ivar C. Satero |
| Appeals Board | Julie Rosenberg |
| Arts Commission | Rebekah Krell (Acting) |
| Asian Art Museum | Jay Xu |
| Board of Supervisors | Angela Calvillo |
| Assessment Appeals Board | Alistair Gibson (Acting) |
| County Transportation Authority | Tilly Chang |
| Building Inspection | Patrick O'Riordan (Interim) |
| California Academy of Sciences | Scott D. Sampson |
| Child Support Services | Karen M. Roye |
| Children, Youth and Their Families | Maria Su |
| Civil Service | Sandra Eng (Acting) |
| Economic and Workforce Development | Joaquín Torres |
| Elections | John Arntz |
| Emergency Management | Mary Ellen Carroll |
| Entertainment | Maggie Weiland |
| Environment | Deborah Raphael |
| Ethics | LeeAnn Pelham |
| Fine Arts Museums | Thomas P. Campbell |
| Fire | Jeanine Nicholson |



## CITY AND COUNTY OF SAN FRANCISCO

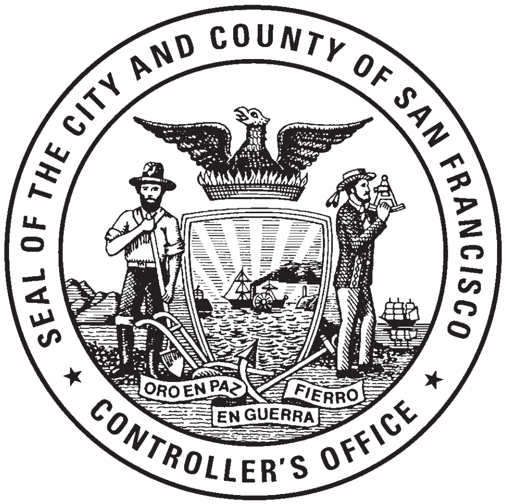
**List of Principal Officials**
As of June 30, 2020

### DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

| | |
|---|---|
| General Services Agency | |
| Animal Care and Control | Virginia Donohue |
| Convention Facilities Management | John Noguchi |
| County Clerk | Diane Rea |
| Medical Examiner | Amy Hart (Acting) |
| Public Works | Alaric Degrafinried (Acting) |
| Purchaser/Contract Administration | Sailaja Kurella (Acting) |
| Real Estate | Andrico Penick |
| Department of Technology | Linda Gerull |
| Health Service System | Abbie Yant |
| Homelessness and Supportive Housing | Abigail Stewart-Kahn(Interim) |
| Human Resources | Micki Callahan |
| Human Rights | Sheryl Evans Davis |
| Human Services | Trent Rhorer |
| Aging and Adult Services | Shireen McSpadden |
| Juvenile Probation | Katherine Weinstein Miller |
| Law Library Board of Trustees | Marcia Bell |
| Library | Michael Lambert |
| Municipal Transportation Agency | Jeffrey Tumlin |
| Planning | Rich Hillis |
| Police | William Scott |
| Police Accountability | Paul Henderson |
| Port | Elaine Forbes |
| Public Health | Grant Colfax |
| Public Utilities | Harlan Kelly |
| Recreation and Park | Phil Ginsburg |
| Residential Rent Board | Robert Collins |
| Retirement System | Jay Huish |
| Small Business | Regina Dick-Endrizzi |
| Status of Women | Carol Sacco (Acting) |
| Successor Agency to the Redevelopment Agency | Nadia Sesay |
| Superior Court | T. Michael Yuen |
| Adult Probation | Karen L. Fletcher |
| War Memorial | John Caldon |

### DISCRETELY PRESENTED COMPONENT UNIT

| | |
|---|---|
| Treasure Island Development Authority | Robert P. Beck |




# FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

MGO Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), Municipal Transportation Agency (major fund), and San Francisco Wastewater Enterprise (major fund), which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

| Opinion Unit | Assets | Net Position/ Fund Balances | Revenues/ Additions |
|---|---|---|---|
| Governmental activities | 1.2% | 4.4% | 1.7% |
| Business-type activities | 93.1% | 98.7% | 74.4% |
| Aggregate discretely presented component unit and remaining fund information | 0.5% | 0.4% | 1.4% |

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
101 California Street, Suite 3910
San Francisco, CA 94111

***Emphasis of a Matter***

As discussed in Note 19(c) to the basic financial statements, on March 16, 2020, the City imposed a shelter-in-place order as a result of the COVID-19 pandemic. This order required the closure of all non-essential businesses in the City and required other limitations on social interactions. The economic impacts in the City and the actions taken by the City in response to those impacts are disclosed in the note. Our opinion is not modified with respect to this matter.

***Other Matters***

*Prior-Year Comparative Information*

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which such partial and summarized information was derived.

We have previously audited the City's 2019 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated December 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment healthcare benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

San Francisco, California
February 26, 2021





**Management's Discussion and Analysis (Unaudited)**
Year Ended June 30, 2020

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2018-19 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2019-20 basic financial statements.

## FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately $10.10 billion (net position). Of this balance, $10.47 billion represents the City's net investment in capital assets, $3.05 billion represents restricted net position, and unrestricted net position has a deficit of $3.42 billion. The City's total net position increased by $496.4 million, or 5.2 percent, from the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by $425.8 million or 4.2 percent, $20.8 million or 0.7 percent and $49.8 million or 1.4 percent, respectively.

The City's governmental funds reported total revenues of $7.18 billion, which is a $380.5 million or 5.0 percent decrease from the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, hotel room tax, parking tax, real property transfer tax, interest and investment income, rent and concessions, charges for services, other revenues decreased by approximately $110.5 million, $85.6 million, $49.8 million, $127.4 million, $16.6 million, $29.5 million, $36.2 million, $36.5 million, $39.1 million and $31.7 million, respectively. Governmental funds expenditures totaled $7.03 billion for this period, a $765.3 million or 12.2 percent increase, reflecting increases in demand for governmental services of $670.4 million and an increase in capital outlay of $130.2 million, offset by decreases in debt service of $35.3 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $5.04 billion, a slight decrease of $100.7 million or 2.0 percent from prior year, primarily due to increases of expenditures over decreases in most revenues which is offset by the increase in other financing sources this year over last year.

The City's total short-term debt increased by $141.6 million in this fiscal year. The increase of $15.4 million in the governmental activities was due to the issuance $195.7 million of Commercial Paper (CP) to finance the 49 South Van Ness Avenue project, the Animal Care and Control facility project, the Housing Trust projects and the Hall of Justice project with refinancing of CP with certificates of participation of $91.3 million, net of a total paydown of $89.0 million, of which $78.0 million CP was issued to finance the construction of Transbay Transit Center and $11.0 million CP was issued to finance various projects. The short-term debt in the business-type activities increased by $126.2 million mainly due to the Airport, the Water Enterprise, Hetch Hetchy Water and Power and the Wastewater Enterprise issuing a total of $267.6 million additional short-term debt to upgrade their facilities. The San Francisco General Hospital and the Wastewater Enterprise paid off a total of $91.7 million of CP, and the Airport refinanced $49.4 million of CP through the issuance of long-term debt.

The City's governmental activities long-term debt increased by $84.4 million. A total of $145.5 million in general obligation bonds were issued to fund: improvements to the City's parks and waterfront open spaces; low-and middle-income housing programs; seismic strengthening and repair of the Embarcadero seawall. The City issued $247.8 million certificates of participation to refinance the short-term debt for the 49 South Van Ness Avenue project. The City also issued $195.3 million refunding general obligation bonds and $27.1 million refunding certificates of participation. The increase in debt was offset by $605.0 million due to scheduled debt service payments of $565.0 million and amortization of bond premium of $40.0 million.

The business-type activities long-term debt increased by $722.8 million. The Airport issued $1.19 billion revenue bonds, of which $896.9 million was used to finance and refinance the redevelopment of airport terminals, construction of Courtyard 3 Connector, renovation of the International Terminal departures level and gate enhancement, extension of AirTrain service to the long-term parking garages and $292.3 million in revenue refunding bonds was issued to generate an economic gain. The Water Enterprise issued $656.9 million in revenue refunding bonds to generate an economic gain and obtained a loan of $73.3 million from the State of California to fund its SF Westside Recycled Water Project. The Wastewater Enterprise drew-down additional loans of $1.8 million to fund for various sewer system improvement projects. The Municipal Transportation Agency obtained additional bank loan of $3.8 million for a garage renovation project. The Port of San Francisco issued revenue refunding bonds of $23.8 million to generate an economic gain. The Laguna Honda Hospital issued refunding certificates of participation of $89.4 million for debt service savings. The increase in debt was offset in the amount of $1.57 billion in refunded bonds, scheduled debt service payments and bond premium amortization.

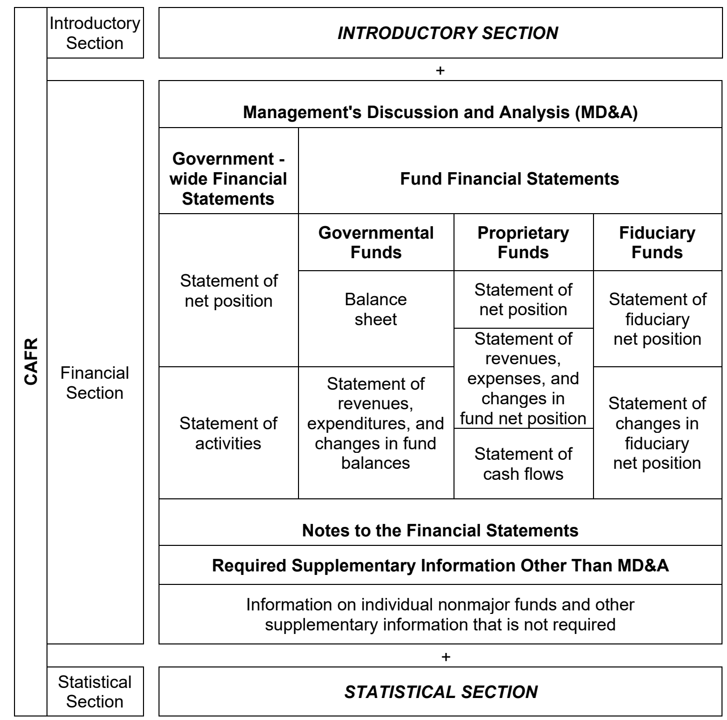




**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



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

| | Government - wide Statements | Fund Financial Statements | | |
|---|---|---|---|---|
| | | **Governmental** | **Proprietary** | **Fiduciary** |
| **Scope** | Entire entity (except fiduciary funds) | The day-to-day operating activities of the City for basic governmental services | The day-to-day operating activities of the City for business-type enterprises | Instances in which the City administers resources on behalf of others, such as employee benefits |
| **Accounting basis and measurement focus** | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus; except agency funds do not have measurement focus |
| **Type of balance information** | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | Balances of spendable resources | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | All resources held in a trustee or agency capacity for others |
| **Type of inflow and outflow information** | All inflows and outflows during year, regardless of when cash is received or paid | Near-term inflows and outflows of spendable resources | All inflows and outflows during year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

**Government-wide Financial Statements**

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

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





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

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

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

**Fund Financial Statements**

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

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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

## Notes to the Basic Financial Statements

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

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension contributions, net OPEB liability, and OPEB contributions.

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2020

## Combining Statements and Schedules

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

### Condensed Statement of Net Position
### (in thousands)

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Assets:** | | | | | | |
| Current and other assets | $ 8,377,481 | $7,301,821 | $ 6,477,516 | $ 6,575,434 | $ 14,854,997 | $ 13,877,255 |
| Capital assets | 6,702,757 | 6,155,064 | 22,089,466 | 20,689,646 | 28,792,223 | 26,844,710 |
| Total assets | 15,080,238 | 13,456,885 | 28,566,982 | 27,265,080 | 43,647,220 | 40,721,965 |
| **Deferred outflows of resources:** | 1,161,466 | 996,754 | 1,103,005 | 947,283 | 2,264,471 | 1,944,037 |
| **Liabilities:** | | | | | | |
| Current liabilities | 3,214,799 | 2,179,762 | 2,395,258 | 2,148,534 | 5,610,057 | 4,328,296 |
| Noncurrent liabilities | 9,149,846 | 8,742,967 | 19,797,681 | 18,872,584 | 28,947,527 | 27,615,551 |
| Total liabilities | 12,364,645 | 10,922,729 | 22,192,939 | 21,021,118 | 34,557,584 | 31,943,847 |
| **Deferred inflows of resources:** | 743,437 | 629,419 | 512,075 | 490,524 | 1,255,512 | 1,119,943 |
| **Net position:** | | | | | | |
| Net investment in capital assets * | 3,853,271 | 3,681,341 | 7,013,098 | 6,764,333 | 10,474,620 | 10,048,870 |
| Restricted * | 2,118,598 | 2,024,387 | 956,701 | 1,053,773 | 3,048,043 | 3,027,217 |
| Unrestricted (deficit) * | (2,838,247) | (2,804,237) | (1,004,826) | (1,117,385) | (3,424,068) | (3,473,875) |
| Total net position | $ 3,133,622 | $2,901,491 | $ 6,964,973 | $ 6,700,721 | $ 10,098,595 | $ 9,602,212 |

* See Note 10(d) to the basic financial statements.

## Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $10.10 billion at the end of fiscal year 2019-20, a 5.2 percent increase over the prior year. The City's governmental activities account for $3.13 billion of this total and $6.97 billion stem from its business-type activities.

The largest portion of the City's net position is the $10.47 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $425.8 million or 4.2 percent increase over the prior year and is due to the growth seen in the governmental activities of $171.9 million and an overall increase in business-type activities, highlighted by an increase of $296.5 million at SFMTA and $49.6 million at Wastewater Enterprise offset by decreases of $79.5 million at Airport and $35.6 million at Water Enterprise respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $3.05 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $3.42 billion, which consists of a $2.84 billion deficit in governmental activities and $1.0 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included $419.0 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities and Embarcadero seawall earthquake safety projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

**Condensed Statement of Activities**
**(in thousands)**

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 854,868 | $ 815,176 | $ 3,884,412 | $ 3,840,617 | $ 4,739,280 | $ 4,655,793 |
| Operating grants and contributions | 1,518,051 | 1,392,516 | 455,673 | 251,757 | 1,973,724 | 1,644,273 |
| Capital grants and contributions | 146,400 | 233,184 | 361,266 | 467,069 | 507,666 | 700,253 |
| General revenues: | | | | | | |
| Property taxes | 2,733,334 | 2,581,308 | - | - | 2,733,334 | 2,581,308 |
| Business taxes | 833,931 | 919,552 | - | - | 833,931 | 919,552 |
| Sales and use tax | 279,453 | 329,296 | - | - | 279,453 | 329,296 |
| Hotel room tax | 280,970 | 408,348 | - | - | 280,970 | 408,348 |
| Utility users tax | 94,231 | 93,918 | - | - | 94,231 | 93,918 |
| Other local taxes | 474,859 | 515,435 | - | - | 474,859 | 515,435 |
| Interest and investment income | 142,181 | 178,350 | 151,319 | 182,666 | 293,500 | 361,016 |
| Other | 63,552 | 88,788 | 245,466 | 237,045 | 309,018 | 325,833 |
| Total revenues | 7,421,830 | 7,555,871 | 5,098,136 | 4,979,154 | 12,519,966 | 12,535,025 |
| **Expenses** | | | | | | |
| Public protection | 1,661,262 | 1,496,341 | - | - | 1,661,262 | 1,496,341 |
| Public works, transportation and commerce | 362,133 | 331,717 | - | - | 362,133 | 331,717 |
| Human welfare and neighborhood development | 2,137,968 | 1,720,425 | - | - | 2,137,968 | 1,720,425 |
| Community health | 1,148,208 | 960,422 | - | - | 1,148,208 | 960,422 |
| Culture and recreation | 519,015 | 594,219 | - | - | 519,015 | 594,219 |
| General administration and finance | 416,370 | 330,358 | - | - | 416,370 | 330,358 |
| General City responsibilities | 119,693 | 156,907 | - | - | 119,693 | 156,907 |
| Unallocated Interest on long-term debt | 145,600 | 153,220 | - | - | 145,600 | 153,220 |
| Airport | - | - | 1,344,734 | 1,067,265 | 1,344,734 | 1,067,265 |
| Transportation | - | - | 1,438,417 | 1,304,358 | 1,438,417 | 1,304,358 |
| Port | - | - | 131,884 | 123,116 | 131,884 | 123,116 |
| Water | - | - | 576,140 | 536,480 | 576,140 | 536,480 |
| Power | - | - | 392,669 | 314,471 | 392,669 | 314,471 |
| Hospitals | - | - | 1,332,648 | 1,236,823 | 1,332,648 | 1,236,823 |
| Sewer | - | - | 296,842 | 304,010 | 296,842 | 304,010 |
| Total expenses | 6,510,249 | 5,743,609 | 5,513,334 | 4,886,523 | 12,023,583 | 10,630,132 |
| Increase/(decrease) in net position before transfers and special items | 911,581 | 1,812,262 | (415,198) | 92,631 | 496,383 | 1,904,893 |
| Transfers | (679,450) | (802,748) | 679,450 | 802,748 | - | - |
| Special items: | | | | | | |
| Receipt of South Beach Harbor operations | - | - | - | 18,340 | - | 18,340 |
| Change in net position | 232,131 | 1,009,514 | 264,252 | 913,719 | 496,383 | 1,923,233 |
| Net position at beginning of year, as restated | 2,901,491 | 1,891,977 | 6,700,721 | 5,787,002 | 9,602,212 | 7,678,979 |
| Net position at end of year | $ 3,133,622 | $ 2,901,491 | $ 6,964,973 | $ 6,700,721 | $ 10,098,595 | $ 9,602,212 |

## Analysis of Changes in Net Position

The City's change in net position increased by $496.4 million in fiscal year 2019-20, a 5.2 percent increase from the prior fiscal year, as noted above. The increase in the change in net position was due to a $232.1 million increase from governmental activities and a $264.3 million increase from business-type activities.

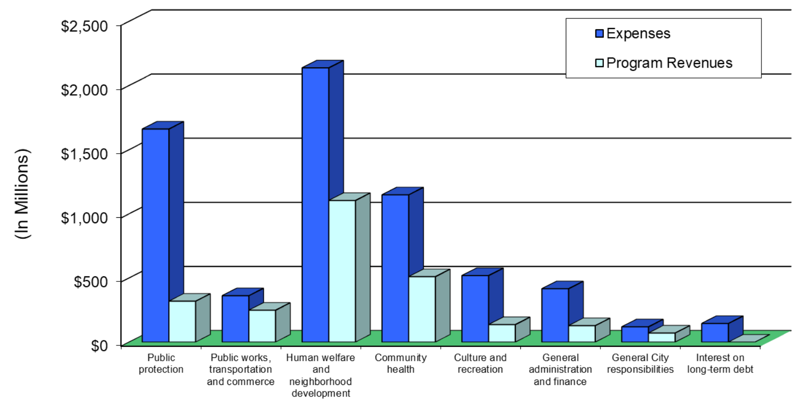
The City's governmental activities experienced a $134.0 million or 1.8 percent decline in total revenues, while total expenses increased by $766.6 million or 13.3 percent this fiscal year. Business-type activities revenues increased by $119.0 million or 2.4 percent, and total expenses also increased by $626.8 million, or 12.8 percent. The net transfer to business-type activities decreased by $123.3 million. The major components of increased revenue Citywide are increased operating grants and contributions of $329.5 million, property taxes of $152.0 million and charges for services of $83.5 million, offset by decrease of



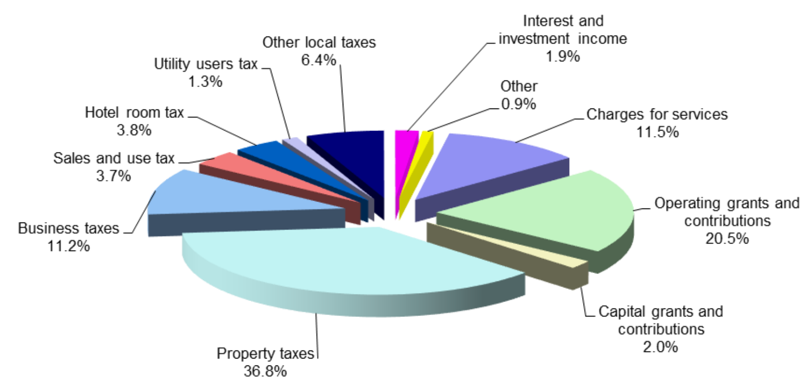


capital grants and contributions of $192.6 million, hotel room tax of $127.4 million and business taxes of $85.6 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

**Expenses and Program Revenues - Governmental Activities**




**Revenues By Source - Governmental Activities**




**Governmental Activities**. Governmental activities increased the City's total net position by approximately $232.1 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $7.42 billion, a $134.0 million or 1.8 percent decrease over the prior year. For the same period, expense totaled $6.51 billion before transfers of $679.5 million.

Property tax revenues increased by $152.0 million or 5.9 percent due in large part to the increased recognition of $135.7 million secured and unsecured property tax revenues, $28.3 million redevelopment property tax increment and $23.5 million property tax in lieu of vehicle license fee. This growth was partly offset by decreased recognition of $37.9 million Excess Educational Revenue Augmentation Fund (ERAF) in the current fiscal year.

The COVID-19 pandemic adversely impacted the City's remaining general revenue streams. Business tax reduced by $85.6 million or 9.3 percent driven by the economy downturn. In response to the pandemic, the City delayed both business registration fees and the first quarter business tax payment for small business. In addition, $36.4 million business tax collected was deferred due to pending litigation. Revenues from sales and use tax and hotel room taxes dropped by $177.2 million over the prior year. Sales and use tax decreased by $49.8 million or 15.1 percent primarily due to the emergency declaration and order to close non-essential businesses, including restaurants, and retail establishments as well as a significant decrease in visitors. Hotel room tax was hard hit with a fall of $127.4 million or 31.2 percent, due to travel restrictions and reduction both in international and domestic flights and voluntarily conference cancellations since March 2020. The hotel occupancy rate hit a record low of 15.5 percent in April and the revenue per available room (RevPAR) which is a function of changes in occupancy, average daily room rate and room supply, declined drastically to $15.9, or a decrease of 92.7 percent compared to last year's same period. Hotel tax revenue decreased by 24.3 percent and 49.7 percent in March and April, respectively. Since then, occupancy rates and RevPAR have been inching up month by month. In June, the occupancy rate was 27.4 percent, 68.4 percent lower than last June, and RevPAR was $30.7, 86.7 percent lower than last June. General Fund hotel tax collected after April decreased by 99.8 percent from the same period last year.

Other local taxes also decreased by $40.6 million or 7.9 percent. The real property transfer tax, which is highly sensitive to economic cycles and interest rates, decreased both in number and value of commercial real estate transactions over $10 million or more due to economic uncertainty related to the pandemic and was significantly depressed in the second half of the year. This revenue stream ended with $29.5 million less than the prior year. Parking tax also shrank by $16.5 million from less vehicle movement within the City due to ban on large gathering and shelter-in-place order beginning in March 2020.

Total grants and contributions increased by $38.8 million or 2.4 percent. The capital grants and contributions decreased by $86.8 million primarily due to the total land donated to the City was $63.8 million this fiscal year whereas prior year's total was $148.7 million which composed of the Moscone Convention Center North and South buildings and land parcels. The operating grants and contributions, however, increased by $125.5 million primarily due to revenues from the new CARES Act and cost recovery from FEMA for COVID response.

Total charges for services increased $39.7 million or 4.9 percent largely from an increased $52.3 million in loans previously considered uncollectible, partly offset by decline in other charges including licenses and permits, rents and concessions, fines and forfeitures due to reduced service demands and the shelter-in-place order during the pandemic.

Interest and investment income revenue decreased by $36.2 million or 20.3 percent, primarily due to the lower interest rates during the year which worsened at year end due to the pandemic. The adverse economy impacted the Pool's investment earnings as well as the valuation of City's investment portfolio resulting in lower interest and investment earnings.

Net transfers from the governmental activities to business-type activities were $679.5 million, a $123.3 million or 15.4 percent decrease from the prior year. The General Fund baseline transfer to SFMTA decreased $53.5 million primarily due to decrease in property taxes, including ERAF revenue. General Fund transfer to General Hospital and Laguna Honda also decreased by $47.7 million and $44.2 million, respectively, due to reduced needs for General Fund support. In addition, transfer from San Francisco County Transportation Funds to SFMTA to support various capital projects dropped by $46.5 million due to reduced capital activities. These decreases were partly offset by increased transfer of $51.9 million of the

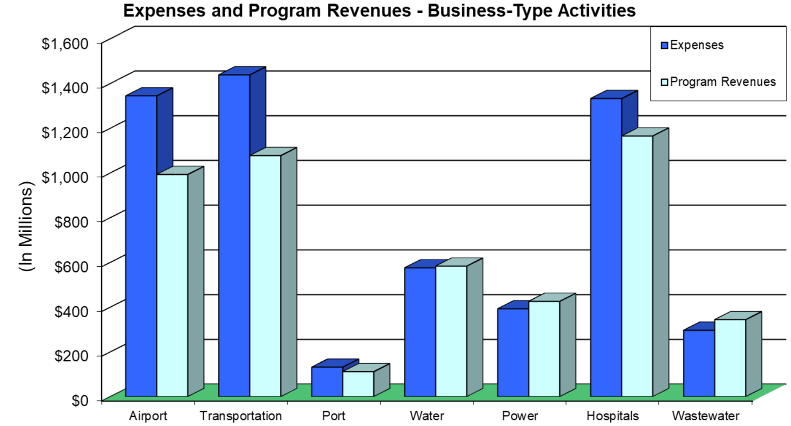




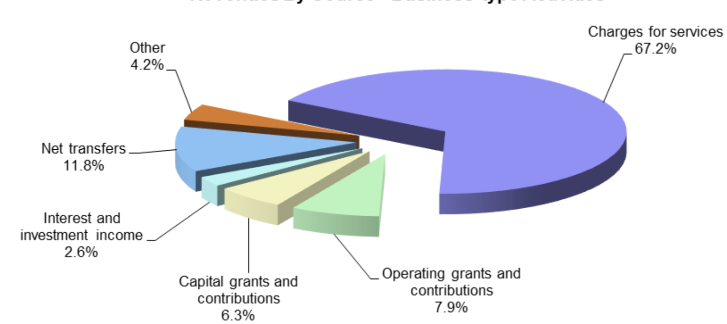
proceeds of 2012 San Francisco Clean and Safe Neighborhood Parks Bonds and 2018 Embarcadero Seawall Earthquake Safety Bonds for Port's waterfront projects.

The increase of total governmental expenses of $766.6 million, or 13.3 percent, was primarily due to a growth in salaries and fringe benefits of $215.6 million and pension and OPEB expenses, net of deferred contributions, resulting from assumption changes, actuarial experience and contributions of $210.4 million. In response to the pandemic, the City had a combined increase in aid and grant payments of $182.5 million mainly administered by Human Services Agency, Department of Children, Youth & Families and Department of Homelessness Services. Department of Public Health had increased non-professional services and medical material and supplies for a total of $72.3 million. As a result of increases in City loans issued by the Mayor's Office of Housing and Office of Economic and Workforce Development with major funding from General Obligation Bonds, developer's fees and grants, expenses for related loan allowances also grew by $153.7 million.

**Expenses and Program Revenues - Business-Type Activities**




**Revenues By Source - Business-type Activities**



**Business-type activities** increased the City's net position by $264.3 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had a decrease in net position at fiscal year end of $216.9 million, compared to a $91.8 million increase in the prior year, a $308.7 million difference. Operating revenues totaled $943.9 million for fiscal year 2019-20, a decrease of $36.6 million or 3.7 percent over the prior year and included an increase of $47.8 million in aviation primarily due to changes in the unearned aviation revenue adjustment, offset by decreases of $19.3 million in rents and concessions, $52.8 million in parking and transportation, and $12.3 million in other revenues, reflecting traffic decline from March 2020 to June 2020 with the onset of the COVID-19 pandemic. For the same period, the Airport's operating expenses increased by $167.1 million, or 21.9 percent, for a net operating income of $12.8 million for the period. Net nonoperating activities saw a deficit of $245.3 million versus $99.1 million deficit in the prior year, a $146.2 million increase. The increase of $167.1 million in operating expenses is primarily due to increases in personal services of $66.8 million due to an increase in pension expenses and cost of living adjustments, depreciation and amortization of $43.3 million due to higher capital assets, and other operating expenses of $27.1 million. The increase of $146.2 million in nonoperating activities is due to a decrease in other nonoperating revenues of $31.1 million, and increases in other nonoperating expenses of $39.2 million, interest and investment income of $4.7 million primarily due to the net effect of $14.6 million of investment fair value adjustments and an actual investment income increase of $9.9 million, and interest expense of $71.2 million. Capital contributions increased by $25.7 million due to an increase in federal grants received for the Airport Improvement Program, TSA Checked Baggage Recapitalization Construction Project, and the Association of Bay Area Governments Wastewater Treatment Plant.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $98.9 million at the end of fiscal year 2019-20, compared to an increase of $52.6 million at the end of the previous year, a $46.3 million difference. Operating revenues totaled $583.4 million, operating expenses totaled $398.1 million, nonoperating activities totaled a net expense of $72.8 million and the net decrease from transfers was $13.6 million. Compared to the prior year, operating revenues increased $41.0 million which was entirely due to charges for services cause by an adopted rate increase of 8.0 percent for retail customers beginning July 1, 2019 coupled with a 5.7 percent increase in consumption by wholesale customers. The enterprise reported a total increase in operating expenses of $41.0 million in fiscal year 2019-20 mostly due to a $21.4 million increase in depreciation and amortization due to additional capital assets placed into service in the prior year, an $8.4 million increase in general and administrative expense and an $8.3 million increase in personal services. Nonoperating activity increased by $40.1 million primarily due to a $63.6 million one-time gain from the property transfer of 639 Bryant Street for 2000 Marin Street offset by an increase of $13.2 million in interest expense mainly due to reduced interest capitalization for capital projects.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2019-20 with a net position increase of $80.9 million, compared to a $79.6 million increase the prior year, a difference of $1.3 million. This change consisted of a decrease in operating income of $2.9 million, an increase in net nonoperating activities of $14.7 million, and a decrease in transfers from the City of $10.5 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $9.9 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $19.9 million increase in change in net position, and CleanPowerSF, which reported a $51.1 million increase in net position. Hetchy Water operating revenues increased by $0.9 million, mainly due to an increase of $0.9 million in water assessment fees from the Water Enterprise while operating expenses decreased by $5.4 million mainly due to a decrease in capital project spending. Hetchy Power's operating revenues decreased by $2.7 million mostly due to a decrease in the sale of power due to COVID-19. On the operating expenses side, Hetchy Power reported an increase of $25.4 million mainly attributed to an increase of $16.1 million in other operating expenses mainly due to lower capitalization of capital project spending, $3.1 million in personnel services resulting from cost of living adjustments, higher pension obligations based on actuarial reports and increased personnel and fringe benefit costs, $1.7 million in contractual services mainly for equipment maintenance and property rent, $1.6 million in materials and supplies mainly explained by prior year recognition of material and supplies to inventory for the in-city warehouse, $1.4 million in purchased electricity and transmission, distribution and other power costs mainly due to wheeling charge rate increase, $1.2 million in depreciation and amortization related to additional building, structure and equipment placed in service, and $0.7 million in general and administrative expenses mainly due to judgments and claims based on actuarial estimates. These increases were offset by a decrease of $0.4 million in services of other departments mainly due to legal services provided by City Attorney. Interest expenses were $2.7 million, a decrease of $0.2 million mainly due to higher capitalized interest. CleanPowerSF's operating revenues increased by $77.6 million mostly due to $74.1 million increased electricity sales to retail and commercial customers. Operating expenses for CleanPowerSF increased by $58.7 million mainly due to $51.9 million in purchased electricity and transmission, distribution and other power costs as a result of higher electricity sales, $3.3 million in personal services mainly due to higher salaries and fringe benefits, $2.8 million in professional and contractual services mainly from services provided by Calpine Energy Solution for customer billings, and $1.1 million in general and administrative mainly from increased taxes, license, and permits fees. These increases were offset by a decrease of $0.4 million in services provided by other departments and other items.



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2020

- The City's Wastewater Enterprise's net position increased by $63.8 million, compared to a $55.0 million increase in the prior year, a $8.8 million change. Operating revenues increased by $13.0 million mainly due to a $14.0 million increase in charges for services mainly due to an average 7 percent adopted rate increase, offset by a 0.9 percent decrease in sanitary flow. Operating expenses increased by $2.4 million mainly due to $10.3 million increases in personal services mainly due to higher salaries and benefits, $2.9 million in depreciation expense due to more capitalized assets put in service, $0.7 million in services provided by other departments mainly for legal services, street cleaning, neighborhood beautification, and risk management services, and $0.3 million in contractual services mainly due professional and specialized services. These increases were offset by a decrease of $10.9 million in general and administrative and other expenses mainly due to higher capitalization of capital project spending, and $0.9 million in materials and supplies due to water sewage treatment supplies for Bayside Operations. Net nonoperating activities decreased by $4.6 million due mainly to lower interest income.

- The Port ended fiscal year 2019-20 with a net position increase of $40.7 million, $12.0 million greater than the $28.7 million increase in the previous year, a $12.0 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2019-20, operating revenues decreased by $13.1 million, principally due to one-time participation income of $10.3 million from the sale and transfer of the Ferry Building master lease in the prior year, and other decreases in lease revenue reflecting weakness in the local economy impacted by the COVID-19 pandemic in 2020. Operating expenses increased $15.1 million over the prior year. This was primarily due in part to increases of $9.8 million in contractual services mainly related to the Seawall project and $4.7 million in personal services for increased hiring, and higher salaries. Also, transfers in increased $51.9 million mainly due to the allocation of proceeds from City general obligation bonds to support the Seawall Earthquake Safety and Disaster Prevention Program.

- The SFMTA had an increase in net position of $214.7 million for fiscal year 2019-20, compared to an increase of $527.6 million in the prior year, a $312.9 million change. SFMTA's total operating revenues were $390.3 million, while total operating expenses reached $1.40 billion. Operating revenues decreased by $114.9 million compared to the prior year and is mainly due to decreases in fare collections by $42.8 million as well as parking and transportation by $55.1 million. Decrease in passenger fares was mainly due to significant decline in ridership caused by severe impacts of the COVID-19 pandemic. Parking revenues were heavily impacted by the quarantine and shelter in place orders causing major decrease in collections as a result of decline in parking activities. Operating expenses increased by $131.9 million, primarily due to increases in personal services by $73.4 million attributable mainly to increase in cost-of-living adjustments and retirement costs, general and administrative costs by $30.7 million mainly due to an increase in claims, and depreciation and amortization by $15.7 million due to an increase in assets capitalized. Net nonoperating activities increased by $162.6 million, mainly from a $198.2 million increase in federal grants including CARES Act grants, offset by decreases in state and other operating grants, interest and investment income, and an increase in interest expense. Capital contributions decreased by $130.6 million due to decrease in capital expenditures incurred mostly related to Trolley Vehicles and New Light Rail Vehicles procurement. Transfers in decreased by $98.2 million mainly due to a decrease of $53.5 million from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation.

- LHH, the City's skilled nursing care hospital, had an increase in net position of $8.7 million at the end of fiscal year 2019-20, compared to an increase of $62.3 million at the end of the previous year, a $53.6 million difference. The LHH's loss before transfers for the year was $69.0 million versus a loss of $71.1 million for the prior year. This change of $2.1 million was mostly due to a $14.1 million increase in operating revenues, a $13.5 million increase in operating expenses, and a $1.5 million increase in net nonoperating activities. Net transfers decreased by approximately $55.7 million, due to a $45.3 million decrease in transfers in and a $10.4 million increase in transfers out.
- SFGH, the City's acute care hospital, ended fiscal year 2019-20 with a net position decrease of $26.5 million, compared to an increase of $16.0 million the prior year, a $42.5 million change. Operating revenues decreased $245.5 million from prior year, mainly due to a $269.6 million decrease in net patient service revenue. Operating expenses increased approximately $84.2 million, mainly due to a $54.0 million increase in personal services, $19.3 million increase in contractual services and a $19.3 million increase in materials and supplies expense, offset by a $7.7 million decrease in other operating expenses. Net nonoperating activities increased $11.7 million, mainly due to an increase in federal operating grants. Net transfers decreased by approximately $34.4 million, due to a $46.8 million decrease in transfers in and a $12.4 million decrease in transfers out.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

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

At the end of fiscal year 2019-20, the City governmental funds reported combined fund balances of $5.04 billion, a decrease of $100.7 million or 2.0 percent over the prior year. Of the total fund balances, $1.71 billion is assigned and $509.7 million is unassigned. The total of $2.22 billion or 44.0 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $1.58 billion. The remainder of the governmental fund balances includes $1.4 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, $2.46 billion restricted for programs at various levels and $363.4 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $2.09 billion while total fund balance was $2.69 billion. Combined assigned and unassigned fund balances represent 47.2 percent of total expenditures, while total fund balance represents 60.6 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.04 billion, before transfers and other items of $1.07 billion, resulting in total fund balance decreasing by $31.1 million. Overall, the City has significant





decline in most revenue sources, particularly in property taxes due to reduced recognition of 56.5 percent of excess ERAF revenues this fiscal year; in hotel room tax, business tax, interest and investment income, state grants and subventions, and charges for services which were severely impacted by the shelter-in-place order, travel restrictions, closure of non-essential business, cancellation of conferences and events and surging unemployment rate due to the pandemic from March through June. Also, in response to the pandemic, the City allowed to delay business registration fees and first quarter business tax payment for small businesses and resulted in the second highest decline in revenues. These decreases were slightly offset by an increase of $126.0 million federal grants primarily driven by the CARES Act revenues and cost recovery from FEMA for COVID-19 response and the remaining from slight growth of welfare aid programs. Other revenues which comprised of sale of development rights and in-kind donations also has a slight increase of $16.0 million. The net result was a decrease in fund balance this fiscal year.

### Proprietary Funds

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

At the end of fiscal year 2019-20, the unrestricted net position for the proprietary funds was as follows: Airport: $6.0 million, Water Enterprise: $54.1 million, Hetch Hetchy Water and Power: $278.1 million, Wastewater Enterprise: $108.4 million, and the Port: $94.4 million. In addition, the following funds had net deficits in unrestricted net position: SFMTA: $604.4 million, San Francisco General Hospital: $647.6 million, and Laguna Honda Hospital: $294.0 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $264.3 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

| | Operating Revenues | Operating Expenses | Operating Income (Loss) | Non-Operating Revenues (Expense) | Capital Contributions and Others | Interfund Transfers, Net | Change In Net Position |
|---|---|---|---|---|---|---|---|
| Airport | $ 943,879 | $ 931,072 | $ 12,807 | $ (245,280) | $ 49,292 | $ (33,743) | $ (216,924) |
| Water | 583,351 | 398,117 | 185,234 | (72,772) | - | (13,585) | 98,877 |
| Hetch Hetchy | 421,284 | 389,026 | 32,258 | 34,665 | - | 13,968 | 80,891 |
| Municipal Transportation Agency | 390,285 | 1,430,606 | (1,040,321) | 410,069 | 311,388 | 533,569 | 214,705 |
| General Hospital | 893,277 | 1,045,321 | (152,044) | 75,114 | - | 50,480 | (26,450) |
| Wastewater Enterprise | 344,128 | 262,259 | 81,869 | (16,888) | - | (1,188) | 63,793 |
| Port | 108,863 | 127,215 | (18,352) | 6,174 | 586 | 52,246 | 40,654 |
| Laguna Honda Hospital | 199,345 | 281,638 | (82,293) | 13,296 | - | 77,703 | 8,706 |
| Total | $ 3,884,412 | $ 4,865,254 | $ (980,842) | $ 204,378 | $ 361,266 | $ 679,450 | $ 264,252 |

### *General Fund Budgetary Highlights*

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were lower than the final budget by $260.1 million, primarily in tax revenues. The City realized $115.9 million and $38.5 million revenues above budget in property tax and real property transfer tax, respectively, which were offset by lower than budgeted revenues of $228.2 million, $136.9 million, $23.9 million, $13.5 million and $7.8 million in business taxes, hotel room tax, sales and use tax, parking tax and other local taxes, respectively. Property tax was higher due to increases in secured and unsecured property tax revenues as well as recognition of excess ERAF reserve from fiscal year 2017-18. The property transfer tax also had an unexpectedly strong first half of fiscal year 2019-20 which was partly offset by weakness in the second half of fiscal year 2019-20. However, the favorable budget variances were overtaken by unfavorable variances in the remaining taxes, particularly, business and hotel room tax due to shelter-in-place and closure of non-essential businesses attributed by the pandemic.

The City also realized $17.4 million of other resources, mainly from sale of development rights and in-kind contribution, and $9.3 million interest revenues, which were higher than budget but offset by $12.4 million, $5.6 million and $5.2 million revenues lower than budget in charges for services, rents and concessions and licenses, permits and franchises, respectively. The unfavorable variances were largely due to cancellation of events, and restrictions imposed by the shelter-in-place order. Federal grants revenues were also lower than budget by $14.2 million and partly offset by combined increase of state and local grants and subventions of $10.6 million.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $121.0 million in expenditure savings. Highlights of the variances include:

- $34.7 million budgetary reserve and designations, of which $16.2 million was for litigation, $10.4 million for Department of Public Health and $8.1 million for salaries and benefits.

- $27.6 million savings for general administration and finance, of which $21.9 million in salaries and fringe and $11.4 million in professional services and partly offset by less than budgeted expenditure recoveries from other city departments for $8.9 million.

- $17.0 million savings in human welfare and neighborhood development largely due to reduced professional and community-based organization services for the Homelessness and Supporting Housing and reduced loans issued by the Mayor's Office of Housing and Community Development.

- $14.3 million savings in public protection mainly from salaries and fringe for the operations of Juvenile Hall, Police and Police Accountability Department.

- $13.5 million saving in public works, transportation and commerce, primarily in the Office of Business and Economic Development with reduced loans and City grants issued and lower capital outlay expenditures due to the pandemic.

- $7.9 million savings in general responsibilities are mainly in community-based organization services and internal audits and $6 million salaries and mandatory fringe benefits as well as reduced departmental services in culture and recreation.

The combined effect of revenue lower than budget and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of $896.2 million at the end of fiscal year 2019-20. The City's fiscal year 2020-21 and 2021-22 Adopted Original Budget assumed an available balance of $370.4 million fully appropriated in fiscal year 2020-21 and fiscal year 2021-22 and contingency reserves of $507.4 million, leaving $18.3 million available for future appropriations (see also Note to the Required Supplementary Information for additional budgetary fund balance details).

**<u>Capital Assets</u>**

The City's capital assets for its governmental and business-type activities as of June 30, 2020, increased by $1.95 billion, 7.3 percent, to $28.79 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and





intangible assets. Governmental activities contributed $547.7 million or 28.1 percent to this total while $1.40 billion or 71.9 percent was from business-type activities. Details are shown in the table below.

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | $ 673,347 | $ 519,234 | $ 341,624 | $ 257,803 | $ 1,014,971 | $ 777,037 |
| Construction in progress | 780,833 | 684,859 | 5,179,163 | 5,851,307 | 5,959,996 | 6,536,166 |
| Facilities and improvements | 4,050,395 | 3,850,118 | 13,537,465 | 11,916,790 | 17,587,860 | 15,766,908 |
| Machinery and equipment | 177,781 | 182,081 | 2,078,484 | 1,755,125 | 2,256,265 | 1,937,206 |
| Infrastructure | 898,648 | 823,330 | 904,131 | 856,139 | 1,802,779 | 1,679,469 |
| Intangible assets | 121,753 | 95,442 | 48,599 | 52,482 | 170,352 | 147,924 |
| Total | $ 6,702,757 | $ 6,155,064 | $ 22,089,466 | $ 20,689,646 | $ 28,792,223 | $ 26,844,710 |

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

- Under governmental activities, net capital assets increased by $547.7 million or 8.9 percent. About $377.4 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about $259.7 million was in the 1500 Mission Street Office Building, $32.2 million in Electronic Health Record System, $25.8 million in 3rd Street Bridge Structural, $11.1 million for the 440 Turk Street and $10.2 million in Geneva Car Barn. The remaining completed projects are mainly public works.

- The Water Enterprise's net capital assets increased by $141.9 million or 2.6 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction in progress included Recycled Water Project, San Andreas Pipeline No. 2 Replacement, Watershed and Environmental Improvement Program, Regional Groundwater Storage & Recovery, Calaveras Dam Replacement, Water Main Replacement - Van Ness Avenue/Market/Lombard Streets, and other upgrade and improvement programs. As of June 30, 2020, Water Enterprise's Water System Improvement Program was 99.0 percent completed with $4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2020, 35 local projects were completed, and the completion date was June 3, 2020. For regional projects, 42 are completed and the expected completion date is May 2023.

- SFMTA's net capital assets increased by $287.0 million or 6.0 percent mainly from Central Subway Project construction in progress of $184.0 million and for the procurement of new revenue vehicles of $100.0 million. The remaining $3.0 million was mainly from Muni Forward program and facility upgrades. Construction in progress costs of $545.5 million were incurred for the New Central Subway Project, Muni Forward program, facility upgrades, and trolley bus procurement. Facilities and improvements cost totaling $41.8 million was incurred in fiscal year 2019-20 for Muni Forward program, Islais Creek annex renovation projects, and facility upgrades for a total of $38.4 million. The remaining $3.4 million is for a building transferred from the Animal Care and Control department. Equipment cost of $145 million was incurred during the fiscal year mainly for procurement of trolley buses, light rail vehicles and hybrid motor buses, rail replacement, and streetcar renovation. Infrastructure of $88.2 million was incurred during the fiscal year for facility upgrades, traffic signals, street improvements, and Muni Forward program.

- Laguna Honda Hospital's net capital assets decreased by $11.1 million or 2.3 percent due primarily to higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets decreased by $17.7 million or 13.6 percent due to primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.

- The Wastewater Enterprise net capital assets reported an increase of $340.5 million or 12.5 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2020, 32 projects were completed, with 15 projects in preconstruction phase, 17 projects in construction phase, and 6 projects in close-out phase. The Southeast Plant (SEP) Existing Digester Gas Handling Improvements was completed on February 28, 2020. The goal of this project is to cost effectively integrate the digester gas handling system at the SEP, improve the reliability of the cogeneration facility, and provide backup fuel source for the boilers. The SEP New Headworks Facility–SCOPE II.A is on-going construction.

- Hetch Hetchy's net capital assets increased by $55.6 million or 10.1 percent to $606.2 million primarily due to additions to construction in progress, facilities, improvements, machinery, and equipment for Bay Corridor Project, 2018 Moccasin Storm, Power Asset Acquisition Analysis, Van Ness - Bus Rapid Transit, and San Joaquin Pipeline Replacement.

- The Airport's net capital assets increased $606.0 million or 9.9 percent primarily due to the capitalization of higher capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Terminal 1 (T1) Redevelopment Program is currently in various stages of design and construction. The first portion of the improvements, consisting of nine gates, opened in July 2019. The second phase opened in May 2020, which added an additional nine gates, for a total of 18 operational gates. When completed, the T1 project will provide a total of 25 gates. The Plot 2 Aircraft Parking and South McDonnell Road project, SFO Grand Hyatt Hotel, Terminal 2 Office Tower, Industrial Waste Treatment Plant project, and the Airport Security Infrastructure Program were completed during fiscal year 2020. As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Airport reprioritized its capital projects and is moving forward with those that have been identified as essential to the operations and safety of the Airport.

- The Port's net capital assets decreased by $2.5 million or 0.5 percent due to capitalization and depreciation of capital improvements in 2020, including the Crane Cove Park, a new open space in the Union Iron Works National Historic District located at Pier 70. Pier 29 Marine Substructure Repair included substructure repairs to the underdeck structures (i.e. slabs, beams, and piles) consistent with the historical features of the pier building and the Embarcadero Historic District. Pier 27 and Pier 35 dredging program is essential work that maintains depths at berths for vessels in support of maritime commerce. Dredging at the Pier 35 Cruise Terminal (east side) and the Pier 27 Cruise Terminal was performed during this fiscal year. Pier 19 and 23 Fire Standpipe provides the San Francisco Fire Department (SFFD) additional firefighting resources, the Port installed manual wet Class I fire standpipe systems at both Pier 19 and Pier 23. This included installation of fire department connections (FDC), pipe distribution networks, hangers, bracing, and hose valves at both facilities.

At the end of the year, the City's business-type activities had approximately $1.30 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $208.8 million, MTA had $319.8 million, Wastewater had $453.1 million, Airport had $192.6 million, Hetch Hetchy had $103.5 million, Port had $15.7 million, Laguna Honda Hospital had $0.4 million and the General Hospital had $2.9 million.

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



**CITY AND COUNTY OF SAN FRANCISCO**

**Management's Discussion and Analysis (Unaudited) (Continued)**
Year Ended June 30, 2020

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

**Debt Administration**

At June 30, 2020, the City had total long-term and commercial paper debt outstanding of $20.80 billion. Of this amount, $2.35 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining $18.45 billion represents revenue bonds, commercial paper notes, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $948.8 million or 4.8 percent during the fiscal year.

For the year ended June 30, 2020, the net increase in the long-term debt in the governmental activities was $84.4 million and the net increase in business-type activities was $722.8 million as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at $279.37 billion in value as of the close of the fiscal year. As of June 30, 2020, the City had $2.35 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.79 percent of gross (0.84 percent of net) taxable assessed value of property. As of June 30, 2020, there were an additional $2.18 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.52 percent of gross (1.62 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2020 were:

| | |
|---|---|
| S&P Global Ratings | AAA |
| Moody's Investors Service, Inc. | Aaa |
| Fitch Ratings | AA+ |

During the fiscal year, S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings maintained the City's general obligation bonds ratings of "AAA", "Aaa" and "AA+", respectively. S&P and Fitch Ratings affirmed the City's "Stable" rating outlook and Moody's revised the rating outlook from "Stable" to "Negative" on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "AA" from S&P and "Aa2" from Moody's. Moody's, S&P and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1", "A+" and "A+", respectively. S&P and Fitch Ratings revised the Airport's rating outlook from stable to negative and Moody's revised the Airport's rating outlook from positive to stable during the fiscal year. The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and S&P, respectively. The Wastewater Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P, respectively. The 2020 revenue bonds issued by the Port have long-term credit ratings of "Aa3", "A" and "A" from Moody's, S&P and Fitch Ratings, respectively.

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

**Economic factors and future budgets and rates**

San Francisco experienced severe negative economic impacts from the pandemic and the necessary health response to it, which ended the longest period of expansion in U.S. history. The San Francisco metro division lost nearly 175,000 jobs between March and April 2020, with a modest recovery of 45,000 of these jobs by the end of the fiscal year. Domestic and international enplanements at San Francisco International Airport declined by 90 percent during the quarter, given national and international travel restrictions. Public transit ridership via BART and Muni declined by 94.4 percent and 81.8 percent, respectively during the quarter as many employers required employees to work remotely and cultural activities in the City were curtailed. Hotel occupancy rates declined to 21 percent from 85 percent in the same period the prior year.

This loss of economic activity resulted in significant losses of tax revenues during FY 2019-20 for economically sensitive revenue streams. Hotel, sales, and parking taxes for the final quarter of FY 2019-20 declined by 80 percent, 7 percent, and 22 percent, respectively, versus the previous quarter. These losses were limited to the final quarter of the fiscal year, and were offset by less immediately impacted General Fund revenue sources, resulting in overall General Fund revenue losses of $417 million, or 7 percent, compared to the prior fiscal year. These losses were offset by expenditure reductions and a limited draw on the City's discretionary reserves, implemented by the Mayor in May 2020.

The pandemic's health, economic, and financial impacts have heightened during fiscal year 2020-21. In May 2020, the Controller's Office, the Mayor's Budget Office, and the Board of Supervisors Budget & Legislative Analyst's Office projected a combined $1.7 billion General Fund shortfall for fiscal year 2020-21 and fiscal year 2021-22. The Mayor proposed a budget to close this projected shortfall in August 2020.

The Board of Supervisors approved a final two-year budget for fiscal years 2020-21 and 2021-22 in September 2020, which assumed an available balance of $370.4 million fully appropriated in fiscal year 2020-21 and fiscal year 2021-22 and contingency reserves of $507.4 million, leaving $18.3 million available for future appropriations. The final adopted budget for the City was predicated on a gradual economic and tax revenue recovery beginning in late fiscal year 2020-21, and bridged this projected shortfall through use of reserves, reduction in capital and other citywide spending programs, inflationary cost controls, deferral of planned new programs, limited operating budget reductions, and voter-adoption of a business tax measure on the November 2020 ballot. This measure was approved by the voters, as were two other taxes that will provide some relief financial benefit to the City in years ahead.



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2020

**REQUESTS FOR INFORMATION**

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

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

**Individual Department Financial Statements**

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

***Port of San Francisco***
Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

***San Francisco Water Enterprise***
***Hetch Hetchy Water and Power***
***San Francisco Wastewater Enterprise***
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

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

***Municipal Transportation Agency***
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

***Health Service System***
Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

***Zuckerberg San Francisco***
***General Hospital and Trauma Center***
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

***San Francisco***
***Employees' Retirement System***
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

***Successor Agency to the***
***San Francisco Redevelopment Agency***
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

***Retiree Health Care Trust***
c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

**Blended Component Units Financial Statements**

***San Francisco County Transportation Authority***
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

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

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## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Net Position
June 30, 2020
(In Thousands)

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Treasure Island Development Authority |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Deposits and investments with City Treasury | $ 6,762,347 | $ 2,731,416 | $ 9,493,763 | $ - |
| Deposits and investments outside City Treasury | 310,700 | 23,060 | 333,760 | - |
| Receivables (net of allowance for uncollectible amounts of $356,742 for the primary government): | | | | |
| Property taxes and penalties | 184,652 | - | 184,652 | - |
| Other local taxes | 398,577 | - | 398,577 | - |
| Federal and state grants and subventions | 324,931 | 235,101 | 560,032 | - |
| Charges for services | 123,115 | 293,416 | 416,531 | 8,416 |
| Interest and other | 30,654 | 280,161 | 310,815 | - |
| Due from component units | 15,726 | - | 15,726 | - |
| Inventories | 44,703 | 120,505 | 165,208 | - |
| Other assets | 25,987 | 12,278 | 38,265 | - |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | - | 543,550 | 543,550 | - |
| Deposits and investments outside City Treasury | 6,324 | 232,393 | 238,717 | - |
| Grants and other receivables | - | 96,448 | 96,448 | - |
| Total current assets | 8,227,716 | 4,568,328 | 12,796,044 | 8,416 |
| Noncurrent assets: | | | | |
| Loan receivables (net of allowance for uncollectible amounts of $1,746,661) | 144,684 | - | 144,684 | - |
| Advance to component units | 4,669 | 6,581 | 11,250 | - |
| Other assets | 412 | 8,951 | 9,363 | 3,982 |
| Restricted assets: | | | | |
| Deposits and investments with City Treasury | - | 1,127,475 | 1,127,475 | - |
| Deposits and investments outside City Treasury | - | 748,249 | 748,249 | - |
| Grants and other receivables | - | 17,932 | 17,932 | - |
| Capital assets: | | | | |
| Land and other assets not being depreciated | 1,463,869 | 5,532,830 | 6,996,699 | 34,846 |
| Facilities, infrastructure and equipment, net of depreciation | 5,238,888 | 16,556,636 | 21,795,524 | 4,307 |
| Total capital assets | 6,702,757 | 22,089,466 | 28,792,223 | 39,153 |
| Total noncurrent assets | 6,852,522 | 23,998,654 | 30,851,176 | 43,135 |
| Total assets | 15,080,238 | 28,566,982 | 43,647,220 | 51,551 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Unamortized loss on refunding of debt | 11,207 | 194,982 | 206,189 | - |
| Deferred outflows on derivative instruments | - | 28,221 | 28,221 | - |
| Deferred outflows related to pensions | 875,556 | 643,000 | 1,518,556 | 15 |
| Deferred outflows related to OPEB | 274,703 | 236,802 | 511,505 | - |
| Total deferred outflows of resources | $ 1,161,466 | $ 1,103,005 | $ 2,264,471 | $ 15 |

The notes to the financial statements are an integral part of this statement.



## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Net Position (Continued)
June 30, 2020
(In Thousands)

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Treasure Island Development Authority |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 566,517 | $ 225,926 | $ 792,443 | $ 1,375 |
| Accrued payroll | 143,744 | 107,442 | 251,186 | 114 |
| Accrued vacation and sick leave pay | 108,833 | 75,598 | 184,431 | - |
| Accrued workers' compensation | 55,003 | 40,589 | 95,592 | - |
| Estimated claims payable | 71,454 | 78,970 | 150,424 | - |
| Bonds, loans, capital leases, and other payables | 318,757 | 982,693 | 1,301,450 | - |
| Accrued interest payable | 21,659 | 67,718 | 89,377 | - |
| Unearned grant and subvention revenues | 187,824 | - | 187,824 | - |
| Due to primary government | - | - | - | 10,516 |
| Internal balances | 38,837 | (38,837) | - | - |
| Unearned revenues and other liabilities | 1,702,171 | 466,130 | 2,168,301 | 2,473 |
| Liabilities payable from restricted assets: | | | | |
| Bonds, loans, capital leases, and other payables | - | 41,372 | 41,372 | - |
| Accrued interest payable | - | 62,065 | 62,065 | - |
| Other | - | 285,592 | 285,592 | - |
| Total current liabilities | 3,214,799 | 2,395,258 | 5,610,057 | 14,478 |
| Noncurrent liabilities: | | | | |
| Accrued vacation and sick leave pay | 88,929 | 59,629 | 148,558 | - |
| Accrued workers' compensation | 237,128 | 191,907 | 429,035 | - |
| Estimated claims payable | 122,683 | 65,567 | 188,250 | - |
| Bonds, loans, capital leases, and other payables | 3,758,055 | 15,694,308 | 19,452,363 | - |
| Advance from primary government | - | - | - | 6,581 |
| Unearned revenues and other liabilities | 1,351 | 141,195 | 142,546 | - |
| Derivative instruments liabilities | - | 28,221 | 28,221 | - |
| Net pension liability | 2,823,589 | 1,831,949 | 4,655,538 | 25 |
| Net other postemployment benefits (OPEB) liability | 2,118,111 | 1,784,905 | 3,903,016 | - |
| Total noncurrent liabilities | 9,149,846 | 19,797,681 | 28,947,527 | 6,606 |
| Total liabilities | 12,364,645 | 22,192,939 | 34,557,584 | 21,084 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unamortized gain on refunding of debt | 18,059 | 2,594 | 20,653 | - |
| Deferred inflows related to pensions | 543,297 | 379,188 | 922,485 | 5 |
| Deferred inflows related to OPEB | 182,081 | 130,293 | 312,374 | - |
| Total deferred inflows of resources | 743,437 | 512,075 | 1,255,512 | 5 |
| **NET POSITION** | | | | |
| Net investment in capital assets, Note 10(d) | 3,853,271 | 7,013,098 | 10,474,620 | 39,153 |
| Restricted for: | | | | |
| Reserve for rainy day | 229,069 | - | 229,069 | - |
| Debt service | 113,765 | 316,671 | 430,436 | - |
| Capital projects, Note 10(d) | 297,975 | 523,169 | 793,888 | - |
| Community development | 628,484 | - | 628,484 | - |
| Transportation Authority activities | 28,673 | - | 28,673 | - |
| Building inspection programs | 162,182 | - | 162,182 | - |
| Children and families | 187,538 | - | 187,538 | - |
| Culture and recreation | 231,624 | - | 231,624 | - |
| Grants | 128,142 | - | 128,142 | - |
| Other purposes | 111,146 | 116,861 | 228,007 | - |
| Total restricted | 2,118,598 | 956,701 | 3,048,043 | - |
| Unrestricted (deficit), Note 10(d) | (2,838,247) | (1,004,826) | (3,424,068) | (8,676) |
| Total net position | $ 3,133,622 | $ 6,964,973 | $ 10,098,595 | $ 30,477 |

The notes to the financial statements are an integral part of this statement.

## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Activities
Year Ended June 30, 2020
(In Thousands)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Unit: Treasure Island Development Authority |
|---|---|---|---|---|---|---|---|---|
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Public protection | $ 1,661,262 | $ 105,508 | $ 211,040 | $ 2,734 | $ (1,341,980) | $ - | $ (1,341,980) | $ - |
| Public works, transportation and commerce | 362,133 | 138,328 | 47,997 | 62,622 | (113,186) | - | (113,186) | - |
| Human welfare and neighborhood development | 2,137,968 | 212,743 | 827,706 | 63,770 | (1,033,749) | - | (1,033,749) | - |
| Community health | 1,148,208 | 107,078 | 402,619 | 750 | (637,761) | - | (637,761) | - |
| Culture and recreation | 519,015 | 127,196 | 8,066 | 1,524 | (382,229) | - | (382,229) | - |
| General administration and finance | 416,370 | 97,130 | 16,473 | 15,000 | (287,767) | - | (287,767) | - |
| General City responsibilities | 119,693 | 66,885 | 4,150 | - | (48,658) | - | (48,658) | - |
| Unallocated interest on long-term debt and cost of issuance | 145,600 | - | - | - | (145,600) | - | (145,600) | - |
| Total governmental activities | 6,510,249 | 854,868 | 1,518,051 | 146,400 | (3,990,930) | - | (3,990,930) | - |
| Business-type activities: | | | | | | | | |
| Airport | 1,344,734 | 943,879 | - | 49,292 | - | (351,563) | (351,563) | - |
| Transportation | 1,438,417 | 390,285 | 375,884 | 311,388 | - | (360,860) | (360,860) | - |
| Port | 131,884 | 108,863 | 2,141 | 586 | - | (20,294) | (20,294) | - |
| Water | 576,140 | 583,351 | 209 | - | - | 7,420 | 7,420 | - |
| Power | 392,669 | 421,284 | 4,744 | - | - | 33,359 | 33,359 | - |
| Hospitals | 1,332,648 | 1,092,622 | 72,684 | - | - | (167,342) | (167,342) | - |
| Sewer | 296,842 | 344,128 | 11 | - | - | 47,297 | 47,297 | - |
| Total business-type activities | 5,513,334 | 3,884,412 | 455,673 | 361,266 | - | (811,983) | (811,983) | - |
| Total primary government | $ 12,023,583 | $ 4,739,280 | $ 1,973,724 | $ 507,666 | (3,990,930) | (811,983) | (4,802,913) | - |
| Component unit: | | | | | | | | |
| Treasure Island Development Authority | $ 17,875 | $ 11,785 | $ - | $ 4,615 | | | | $ (1,475) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | 2,733,334 | - | 2,733,334 | - |
| Business taxes | | | | | 833,931 | - | 833,931 | - |
| Sales and use tax | | | | | 279,453 | - | 279,453 | - |
| Hotel room tax | | | | | 280,970 | - | 280,970 | - |
| Utility users tax | | | | | 94,231 | - | 94,231 | - |
| Parking tax | | | | | 69,461 | - | 69,461 | - |
| Real property transfer tax | | | | | 334,535 | - | 334,535 | - |
| Other local taxes | | | | | 70,863 | - | 70,863 | - |
| Interest and investment income | | | | | 142,181 | 151,319 | 293,500 | - |
| Other | | | | | 63,552 | 245,466 | 309,018 | 5,713 |
| Transfers - internal activities of primary government | | | | | (679,450) | 679,450 | - | - |
| Total general revenues and transfers | | | | | 4,223,061 | 1,076,235 | 5,299,296 | 5,713 |
| Change in net position | | | | | 232,131 | 264,252 | 496,383 | 4,238 |
| Net position at beginning of year | | | | | 2,901,491 | 6,700,721 | 9,602,212 | 26,239 |
| Net position at end of year | | | | | $ 3,133,622 | $ 6,964,973 | $ 10,098,595 | $ 30,477 |

The notes to the financial statements are an integral part of this statement.



## CITY AND COUNTY OF SAN FRANCISCO

### Balance Sheet
### Governmental Funds
June 30, 2020
(With comparative financial information as of June 30, 2019)
(In Thousands)

| | General Fund 2020 | General Fund 2019 | Other Governmental Funds 2020 | Other Governmental Funds 2019 | Total Governmental Funds 2020 | Total Governmental Funds 2019 |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Deposits and investments with City Treasury | $ 3,492,112 | $ 3,284,538 | $ 3,236,428 | $ 2,538,400 | $ 6,728,540 | $ 5,822,938 |
| Deposits and investments outside City Treasury | 126 | 159 | 310,574 | 274,774 | 310,700 | 274,933 |
| Receivables (net of allowance for uncollectible amounts of $309,138 in 2020; $237,314 in 2019): | | | | | | |
| Property taxes and penalties | 173,412 | 95,869 | 11,240 | 13,955 | 184,652 | 109,824 |
| Other local taxes | 277,813 | 309,569 | 120,764 | 85,377 | 398,577 | 394,946 |
| Federal and state grants and subventions | 223,694 | 163,247 | 101,237 | 113,981 | 324,931 | 277,228 |
| Charges for services | 106,265 | 105,935 | 16,612 | 20,266 | 122,877 | 126,201 |
| Interest and other | 16,123 | 28,618 | 14,180 | 17,946 | 30,303 | 46,564 |
| Due from other funds | 6,912 | 9,845 | 14,196 | 9,644 | 21,108 | 19,489 |
| Due from component units | 8,763 | 2,149 | 6,963 | 3,368 | 15,726 | 5,517 |
| Advance to component unit | - | - | 4,669 | 6,442 | 4,669 | 6,442 |
| Loans receivable (net of allowance for uncollectible amounts of $1,746,661 in 2020; $1,493,211 in 2019) | 15,461 | 16,004 | 129,223 | 168,551 | 144,684 | 184,555 |
| Inventories | 44,703 | - | - | - | 44,703 | - |
| Other assets | 8,856 | 2,829 | 17,131 | 17,356 | 25,987 | 20,185 |
| Total assets | $ 4,374,240 | $ 4,018,762 | $ 3,983,217 | $ 3,270,060 | $ 8,357,457 | $ 7,288,822 |
| Liabilities: | | | | | | |
| Accounts payable | $ 348,732 | $ 333,922 | $ 207,538 | $ 180,615 | $ 556,270 | $ 514,537 |
| Accrued payroll | 119,761 | 97,555 | 21,323 | 19,136 | 141,084 | 116,691 |
| Unearned grant and subvention revenues | 76,172 | 11,627 | 111,652 | 53,338 | 187,824 | 64,965 |
| Due to other funds | 1,030 | 797 | 58,895 | 85,460 | 59,925 | 86,257 |
| Unearned revenues and other liabilities | 785,789 | 633,424 | 916,348 | 235,713 | 1,702,137 | 869,137 |
| Bonds, loans, capital leases, and other payables | - | - | 108,190 | 92,779 | 108,190 | 92,779 |
| Total liabilities | 1,331,484 | 1,077,325 | 1,423,946 | 667,041 | 2,755,430 | 1,744,366 |
| Deferred inflows of resources | 356,834 | 224,414 | 205,317 | 179,465 | 562,151 | 403,879 |
| Fund balances: | | | | | | |
| Nonspendable | 1,274 | 1,259 | 82 | 140 | 1,356 | 1,399 |
| Restricted | 229,069 | 324,977 | 2,229,282 | 2,309,105 | 2,458,351 | 2,634,082 |
| Committed | 363,410 | 397,563 | - | - | 363,410 | 397,563 |
| Assigned | 1,581,761 | 1,361,787 | 125,319 | 114,640 | 1,707,080 | 1,476,427 |
| Unassigned | 510,408 | 631,437 | (729) | (331) | 509,679 | 631,106 |
| Total fund balances | 2,685,922 | 2,717,023 | 2,353,954 | 2,423,554 | 5,039,876 | 5,140,577 |
| Total liabilities, deferred inflows of resources and fund balances | $ 4,374,240 | $ 4,018,762 | $ 3,983,217 | $ 3,270,060 | $ 8,357,457 | $ 7,288,822 |

The notes to the financial statements are an integral part of this statement.

## CITY AND COUNTY OF SAN FRANCISCO

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2020
(In Thousands)

| | |
|---|---|
| Fund balances – total governmental funds | $ 5,039,876 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 6,688,521 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | (4,520,475) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds. | 562,151 |
| Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. | (20,776) |
| Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | (7,415) |
| Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds. | (2,450,554) |
| Net OPEB asset/liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds. | (1,978,234) |
| Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | (179,472) |
| Net position of governmental activities | $ 3,133,622 |

The notes to the financial statements are an integral part of this statement.



## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2020
(With comparative financial information year ended June 30, 2019)
(In Thousands)

| | General Fund | | Other Governmental Funds | | Total Governmental Funds | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Property taxes | $ 2,075,002 | $ 2,248,004 | $ 579,935 | $ 517,469 | $ 2,654,937 | $ 2,765,473 |
| Business taxes | 822,154 | 917,811 | 11,777 | 1,741 | 833,931 | 919,552 |
| Sales and use tax | 180,184 | 213,625 | 99,269 | 115,671 | 279,453 | 329,296 |
| Hotel room tax | 252,170 | 392,328 | 28,800 | 16,020 | 280,970 | 408,348 |
| Utility users tax | 94,231 | 93,918 | - | - | 94,231 | 93,918 |
| Parking tax | 69,461 | 86,020 | - | - | 69,461 | 86,020 |
| Real property transfer tax | 334,535 | 364,044 | - | - | 334,535 | 364,044 |
| Other local taxes | 65,599 | 65,371 | 5,264 | - | 70,863 | 65,371 |
| Licenses, permits and franchises | 25,318 | 27,960 | 13,154 | 15,456 | 38,472 | 43,416 |
| Fines, forfeitures, and penalties | 3,705 | 4,740 | 40,125 | 44,156 | 43,830 | 48,896 |
| Interest and investment income | 65,459 | 88,523 | 76,179 | 89,309 | 141,638 | 177,832 |
| Rents and concessions | 9,816 | 14,460 | 109,049 | 140,886 | 118,865 | 155,346 |
| Intergovernmental: | | | | | | |
| Federal | 378,467 | 252,502 | 212,230 | 189,826 | 590,697 | 442,328 |
| State | 802,470 | 814,727 | 187,794 | 150,189 | 990,264 | 964,916 |
| Other | 2,404 | 2,120 | 24,079 | 11,510 | 26,483 | 13,630 |
| Charges for services | 229,759 | 257,814 | 168,646 | 179,726 | 398,405 | 437,540 |
| Other | 62,218 | 46,254 | 152,141 | 199,756 | 214,359 | 246,010 |
| Total revenues | 5,472,952 | 5,890,221 | 1,708,442 | 1,671,715 | 7,181,394 | 7,561,936 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public protection | 1,479,195 | 1,382,031 | 71,930 | 78,155 | 1,551,125 | 1,460,186 |
| Public works, transportation and commerce | 203,350 | 202,988 | 285,347 | 225,390 | 488,697 | 428,378 |
| Human welfare and neighborhood development | 1,252,865 | 1,071,309 | 817,523 | 626,772 | 2,070,388 | 1,698,081 |
| Community health | 909,261 | 809,120 | 117,654 | 109,210 | 1,026,915 | 918,330 |
| Culture and recreation | 155,164 | 152,250 | 304,993 | 301,304 | 460,157 | 453,554 |
| General administration and finance | 304,073 | 267,997 | 88,556 | 78,157 | 392,629 | 346,154 |
| General City responsibilities | 129,941 | 144,808 | - | - | 129,941 | 144,808 |
| Debt service: | | | | | | |
| Principal retirement | - | - | 296,875 | 326,416 | 296,875 | 326,416 |
| Interest and other fiscal charges | - | 3 | 150,646 | 168,836 | 150,646 | 168,839 |
| Bond issuance costs | - | - | 4,455 | 876 | 4,455 | 876 |
| Payment to refunded bond escrow agent | - | - | 8,905 | - | 8,905 | - |
| Capital outlay | - | - | 454,137 | 323,979 | 454,137 | 323,979 |
| Total expenditures | 4,433,849 | 4,030,506 | 2,601,021 | 2,239,095 | 7,034,870 | 6,269,601 |
| Excess (deficiency) of revenues over (under) expenditures | 1,039,103 | 1,859,715 | (892,579) | (567,380) | 146,524 | 1,292,335 |
| Other financing sources (uses): | | | | | | |
| Transfers in | 87,618 | 104,338 | 613,773 | 749,215 | 701,391 | 853,553 |
| Transfers out | (1,157,822) | (1,468,971) | (222,503) | (185,995) | (1,380,325) | (1,654,966) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | - | - | 615,625 | 72,420 | 615,625 | 72,420 |
| Premium on issuance of bonds | - | - | 73,759 | - | 73,759 | - |
| Payment to refunded bond escrow agent | - | - | (257,675) | - | (257,675) | - |
| Total other financing sources (uses) | (1,070,204) | (1,364,633) | 822,979 | 635,640 | (247,225) | (728,993) |
| Net changes in fund balances | (31,101) | 495,082 | (69,600) | 68,260 | (100,701) | 563,342 |
| Fund balances at beginning of year | 2,717,023 | 2,221,941 | 2,423,554 | 2,355,294 | 5,140,577 | 4,577,235 |
| Fund balances at end of year | $ 2,685,922 | $ 2,717,023 | $ 2,353,954 | $ 2,423,554 | $ 5,039,876 | $ 5,140,577 |

The notes to the financial statements are an integral part of this statement.

**CITY AND COUNTY OF SAN FRANCISCO**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended June 30, 2020
(In Thousands)

| | |
|---|---|
| Net changes in fund balances - total governmental funds | $ (100,701) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, the loss on disposal of capital assets, and contributed capital assets in the current period. | 545,547 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. | (536,331) |
| Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. | 78,397 |
| Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. | 97,152 |
| Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. | (17,075) |
| Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 203,093 |
| Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 66,205 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond proceeds exceeded the principal retirement and payments to escrow for refunded debt in the current period. | (56,750) |
| Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period. | (73,759) |
| Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains. | 17,659 |
| The activities of internal service funds are reported with governmental activities. | 8,694 |
| Change in net position of governmental activities | $ 232,131 |

The notes to the financial statements are an integral part of this statement.



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## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Net Position - Proprietary Funds
June 30, 2020
(With comparative financial information as of June 30, 2019)
(In Thousands)

| | Business-Type Activities - Enterprise Funds: Major Funds: San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total 2020 | Total 2019 | Governmental Activities - Internal Service Funds 2020 | Governmental Activities - Internal Service Funds 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| Current Assets: | | | | | | | | | | | | |
| Deposits and investments with City Treasury | $ 515,525 | $ 451,499 | $ 355,051 | $ 731,318 | $ 141,354 | $ 351,915 | $ 184,754 | $ - | $ 2,731,416 | $ 2,452,211 | $ 33,807 | $ 25,465 |
| Deposits and investments outside City Treasury | 18,952 | 353 | 2 | 3,382 | 8 | 356 | 5 | 2 | 23,060 | 14,988 | - | - |
| Receivables (net of allowance for uncollectible amounts of $47,604 and $45,833 in 2020 and 2019, respectively): | | | | | | | | | | | | |
| Federal and state grants and subventions | - | 23 | 4,219 | 189,703 | 620 | - | 13,591 | 26,945 | 235,101 | 296,325 | - | - |
| Charges for services | 46,618 | 59,946 | 37,708 | 6,643 | 65,555 | 33,749 | - | 43,197 | 293,416 | 287,606 | 238 | 42 |
| Interest and other | 3,683 | 4,956 | 978 | 6,160 | 262,623 | 983 | 591 | 187 | 280,161 | 239,513 | 351 | 416 |
| Capital leases receivable | - | - | - | - | - | - | - | - | - | - | 12,372 | 5,803 |
| Due from other funds | - | 341 | 6,892 | 37,178 | - | 429 | 429 | - | 45,269 | 69,066 | - | - |
| Due from component unit | - | - | - | - | - | - | - | - | - | 6 | - | - |
| Inventories | 5,856 | 5,777 | 1,796 | 86,460 | 15,078 | 2,476 | 1,583 | 1,479 | 120,505 | 102,735 | - | - |
| Other assets | 5,600 | - | 5,519 | 916 | - | 195 | 48 | - | 12,278 | 14,212 | - | - |
| Restricted assets: | | | | | | | | | | | | |
| Deposits and investments with City Treasury | 395,065 | - | - | - | - | - | 55,958 | 92,527 | 543,550 | 554,805 | - | - |
| Deposits and investments outside City Treasury | 198,870 | 16,638 | 151 | - | - | 11,043 | 5,691 | - | 232,393 | 379,303 | 6,324 | 6,565 |
| Grants and other receivables | 14,412 | 76,954 | 192 | - | - | 4,890 | - | - | 96,448 | 45,574 | - | - |
| Total current assets | 1,204,581 | 616,487 | 412,508 | 1,061,760 | 485,238 | 406,036 | 262,650 | 164,337 | 4,613,597 | 4,456,344 | 53,092 | 38,291 |
| Noncurrent assets: | | | | | | | | | | | | |
| Other assets | - | 3,791 | 923 | - | - | 1,524 | 2,713 | - | 8,951 | 9,024 | - | - |
| Capital leases receivable | - | - | - | - | - | - | - | - | - | - | 111,420 | 124,340 |
| Advance to component unit | - | - | 6,581 | - | - | - | - | - | 6,581 | 2,599 | - | - |
| Restricted assets: | | | | | | | | | | | | |
| Deposits and investments with City Treasury | 937,498 | - | 17,828 | 117,017 | - | 55,132 | - | - | 1,127,475 | 1,512,128 | - | - |
| Deposits and investments outside City Treasury | 631,919 | 80,924 | 3,795 | 20,831 | 195 | 10,461 | - | 124 | 748,249 | 641,911 | - | - |
| Grants and other receivables | 3,206 | 4 | - | 315 | - | 467 | - | 13,940 | 17,932 | 22,494 | - | - |
| Capital assets: | | | | | | | | | | | | |
| Land and other assets not being depreciated | 1,351,983 | 598,697 | 195,695 | 2,267,293 | 18,521 | 957,956 | 139,258 | 3,427 | 5,532,830 | 6,121,153 | 313 | 313 |
| Facilities, infrastructure, and equipment, net of depreciation | 5,385,405 | 4,931,848 | 410,516 | 2,834,505 | 93,279 | 2,104,332 | 322,519 | 474,232 | 16,556,636 | 14,568,493 | 13,923 | 11,777 |
| Total capital assets | 6,737,388 | 5,530,545 | 606,211 | 5,101,798 | 111,800 | 3,062,288 | 461,777 | 477,659 | 22,089,466 | 20,689,646 | 14,236 | 12,090 |
| Total noncurrent assets | 8,310,011 | 5,615,264 | 635,338 | 5,239,961 | 111,995 | 3,129,872 | 464,490 | 491,723 | 23,998,654 | 22,877,802 | 125,656 | 136,430 |
| Total assets | 9,514,592 | 6,231,751 | 1,047,846 | 6,301,721 | 597,233 | 3,535,908 | 727,140 | 656,060 | 28,612,251 | 27,334,146 | 178,748 | 174,721 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | | | | | | |
| Unamortized loss on refunding of debt | 50,429 | 144,189 | - | - | - | 189 | 175 | - | 194,982 | 204,755 | 880 | 973 |
| Deferred outflows on derivative instruments | 28,221 | - | - | - | - | - | - | - | 28,221 | 38,828 | - | - |
| Deferred outflows related to pensions | 94,151 | 67,084 | 18,238 | 219,043 | 139,021 | 30,422 | 13,835 | 61,206 | 643,000 | 560,455 | 18,512 | 15,614 |
| Deferred outflows related to OPEB | 32,003 | 27,583 | 5,452 | 85,860 | 46,776 | 10,065 | 4,481 | 24,582 | 236,802 | 143,245 | 6,222 | 3,876 |
| Total deferred outflows of resources | 204,804 | 238,856 | 23,690 | 304,903 | 185,797 | 40,676 | 18,491 | 85,788 | 1,103,005 | 947,283 | 25,614 | 20,463 |



## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Net Position - Proprietary Funds (Continued)
June 30, 2020
(With comparative financial information as of June 30, 2019)
(In Thousands)

| | Business-Type Activities - Enterprise Funds: Major Funds: San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total 2020 | Total 2019 | Governmental Activities - Internal Service Funds 2020 | Governmental Activities - Internal Service Funds 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | |
| Accounts payable | $ 52,851 | $ 10,574 | $ 37,049 | $ 76,674 | $ 16,891 | $ 20,044 | $ 8,055 | $ 3,788 | $ 225,926 | $ 230,184 | $ 10,247 | $ 2,344 |
| Accrued payroll | 15,628 | 8,491 | 3,386 | 34,893 | 27,131 | 5,510 | 2,059 | 10,344 | 107,442 | 91,560 | 2,660 | 2,250 |
| Accrued vacation and sick leave pay | 11,692 | 6,169 | 2,682 | 25,908 | 16,450 | 4,801 | 1,587 | 6,309 | 75,598 | 68,412 | 2,035 | 1,936 |
| Accrued workers' compensation | 2,169 | 1,781 | 585 | 25,393 | 5,609 | 1,112 | 450 | 3,490 | 40,589 | 39,274 | 284 | 306 |
| Estimated claims payable | 52 | 4,740 | 1,032 | 64,052 | - | 8,994 | 100 | - | 78,970 | 48,686 | - | - |
| Due to other funds | 221 | 674 | 849 | 437 | - | 849 | 3,402 | - | 6,432 | 2,298 | 20 | - |
| Unearned revenues and other liabilities | - | 29,431 | 5,718 | 63,989 | 292,600 | 5,243 | 16,015 | 53,134 | 466,130 | 466,085 | 2,671 | 2,556 |
| Accrued interest payable | - | 42,752 | 508 | 4,790 | 62 | 17,416 | 1,338 | 852 | 67,718 | 65,501 | 883 | 1,040 |
| Bonds, loans, capital leases, and other payables | 190,908 | 459,258 | 66,034 | 9,415 | 13,547 | 234,384 | 3,367 | 5,780 | 982,693 | 858,088 | 12,461 | 6,083 |
| Liabilities payable from restricted assets: | | | | | | | | | | | | |
| Bonds, loans, capital leases, and other payables | 41,372 | - | - | - | - | - | - | - | 41,372 | 40,782 | - | - |
| Accrued interest payable | 62,065 | - | - | - | - | - | - | - | 62,065 | 56,096 | - | - |
| Other | 152,759 | 29,951 | 11,738 | 4,966 | - | 85,355 | - | 823 | 285,592 | 250,634 | - | - |
| Total current liabilities | 529,717 | 593,821 | 129,581 | 310,517 | 372,290 | 383,708 | 36,373 | 84,520 | 2,440,527 | 2,217,600 | 31,261 | 16,515 |
| Noncurrent liabilities: | | | | | | | | | | | | |
| Accrued vacation and sick leave pay | 10,115 | 5,451 | 2,212 | 18,581 | 13,596 | 4,113 | 1,259 | 4,302 | 59,629 | 46,600 | 2,137 | 1,649 |
| Accrued workers' compensation | 6,550 | 7,393 | 2,802 | 117,189 | 31,681 | 4,939 | 2,107 | 19,246 | 191,907 | 187,616 | 1,299 | 1,391 |
| Estimated claims payable | 116 | 6,027 | 1,854 | 50,323 | - | 6,897 | 350 | - | 65,567 | 60,430 | - | - |
| Unearned revenues and other liabilities | 90 | 55,177 | 3,399 | - | - | 7,800 | 74,729 | - | 141,195 | 145,287 | - | - |
| Bonds, loans, capital leases, and other payables | 8,620,451 | 4,773,240 | 61,137 | 352,170 | 9,198 | 1,710,696 | 81,140 | 86,276 | 15,694,308 | 14,970,503 | 115,312 | 128,457 |
| Derivative instruments liabilities | 28,221 | - | - | - | - | - | - | - | 28,221 | 46,085 | - | - |
| Net pension liability | 278,176 | 178,133 | 49,531 | 620,468 | 417,139 | 86,235 | 37,124 | 165,143 | 1,831,949 | 1,772,650 | 48,163 | 49,386 |
| Net other postemployment benefits (OPEB) liability | 256,506 | 163,684 | 38,530 | 692,620 | 371,588 | 58,183 | 31,448 | 172,346 | 1,784,905 | 1,643,413 | 48,300 | 44,469 |
| Total noncurrent liabilities | 9,200,225 | 5,189,105 | 159,465 | 1,851,351 | 843,202 | 1,878,863 | 228,157 | 447,313 | 19,797,681 | 18,872,584 | 215,211 | 225,352 |
| Total liabilities | 9,729,942 | 5,782,926 | 289,046 | 2,161,868 | 1,215,492 | 2,262,571 | 264,530 | 531,833 | 22,238,208 | 21,090,184 | 246,472 | 241,867 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | | | | | |
| Unamortized gain on refunding of debt | 959 | - | - | 200 | - | - | - | 1,435 | 2,594 | 1,328 | 317 | 356 |
| Deferred inflows related to pensions | 62,787 | 34,894 | 10,843 | 129,910 | 83,966 | 16,892 | 7,547 | 32,349 | 379,188 | 336,786 | 11,125 | 9,382 |
| Deferred inflows related to OPEB | 18,448 | 11,772 | 3,867 | 50,639 | 26,725 | 4,185 | 2,262 | 12,395 | 130,293 | 152,410 | 4,765 | 4,124 |
| Total deferred inflows of resources | 82,194 | 46,666 | 14,710 | 180,749 | 110,691 | 21,077 | 9,809 | 46,179 | 512,075 | 490,524 | 16,207 | 13,862 |
| **NET POSITION** | | | | | | | | | | | | |
| Net investment in capital assets | (725,562) | 527,856 | 482,986 | 4,735,223 | 89,208 | 1,183,288 | 334,472 | 385,627 | 7,013,098 | 6,764,333 | 13,601 | 11,142 |
| Restricted: | | | | | | | | | | | | |
| Debt service | 220,591 | 15,916 | 142 | 19,007 | - | 1,227 | - | 59,788 | 316,671 | 331,118 | - | - |
| Capital projects | 406,194 | 43,122 | 6,513 | - | 15,214 | - | 42,371 | 9,755 | 523,169 | 556,980 | - | - |
| Other purposes | - | - | - | 114,190 | - | - | - | 2,671 | 116,861 | 165,675 | - | - |
| Unrestricted (deficit) | 6,037 | 54,121 | 278,139 | (604,413) | (647,575) | 108,421 | 94,449 | (294,005) | (1,004,826) | (1,117,385) | (71,918) | (71,687) |
| Total net position | $ (92,740) | $ 641,015 | $ 767,780 | $ 4,264,007 | $ (543,153) | $ 1,292,936 | $ 471,292 | $ 163,836 | $ 6,964,973 | $ 6,700,721 | $ (58,317) | $ (60,545) |

## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2020
(With comparative financial information year ended June 30, 2019)
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | | Governmental Activities - Internal Service Funds | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | Total | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | 2020 | 2019 | 2020 | 2019 |
| Operating revenues: | | | | | | | | | | | | |
| Aviation | $ 613,473 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 613,473 | $ 565,635 | $ - | $ - |
| Water and power service | - | 550,753 | 420,937 | - | - | - | - | - | 971,690 | 854,812 | - | - |
| Passenger fees | - | - | - | 152,924 | - | - | - | - | 152,924 | 195,736 | - | - |
| Net patient service revenue | - | - | - | - | 884,973 | - | - | 197,710 | 1,082,683 | 999,900 | - | - |
| Sewer service | - | - | - | - | - | 331,721 | - | - | 331,721 | 317,761 | - | - |
| Rents and concessions | 142,608 | 12,124 | 347 | 6,575 | 2,640 | 664 | 81,651 | - | 246,609 | 270,242 | 445 | 528 |
| Parking and transportation | 112,730 | - | - | 165,881 | - | - | 18,540 | - | 297,151 | 408,262 | - | - |
| Other charges for services | - | - | - | 27,557 | - | - | - | - | 27,557 | 33,843 | 162,492 | 154,517 |
| Other revenues | 75,068 | 20,474 | - | 37,348 | 5,664 | 11,743 | 8,672 | 1,635 | 160,604 | 194,426 | - | - |
| Total operating revenues | 943,879 | 583,351 | 421,284 | 390,285 | 893,277 | 344,128 | 108,863 | 199,345 | 3,884,412 | 3,840,617 | 162,937 | 155,045 |
| Operating expenses: | | | | | | | | | | | | |
| Personal services | 356,902 | 119,943 | 64,936 | 876,580 | 619,369 | 91,013 | 42,650 | 217,071 | 2,388,464 | 2,154,865 | 62,101 | 59,979 |
| Contractual services | 103,991 | 14,523 | 16,941 | 149,305 | 243,349 | 19,357 | 28,901 | 17,519 | 593,886 | 540,683 | 66,328 | 62,428 |
| Light, heat and power | 25,655 | - | 223,601 | - | - | - | 2,883 | - | 252,139 | 198,188 | - | - |
| Materials and supplies | 15,253 | 14,050 | 3,654 | 69,554 | 110,443 | 8,991 | 1,628 | 22,023 | 245,596 | 230,910 | 14,790 | 16,369 |
| Depreciation and amortization | 312,118 | 142,228 | 20,999 | 205,112 | 21,689 | 62,967 | 26,379 | 12,381 | 803,873 | 720,576 | 3,595 | 2,859 |
| General and administrative | 19,159 | 46,245 | 47,888 | 56,382 | 734 | 42,622 | 4,405 | - | 217,435 | 163,290 | 1,392 | 2,714 |
| Services provided by other departments | 29,531 | 61,128 | 11,007 | 76,259 | 52,127 | 37,309 | 20,042 | 12,644 | 300,047 | 292,128 | 12,311 | 10,905 |
| Other | 68,463 | - | - | (2,586) | (2,390) | - | 327 | - | 63,814 | 30,686 | 675 | 3,262 |
| Total operating expenses | 931,072 | 398,117 | 389,026 | 1,430,606 | 1,045,321 | 262,259 | 127,215 | 281,638 | 4,865,254 | 4,331,326 | 161,192 | 158,516 |
| Operating income (loss) | 12,807 | 185,234 | 32,258 | (1,040,321) | (152,044) | 81,869 | (18,352) | (82,293) | (980,842) | (490,709) | 1,745 | (3,471) |
| Nonoperating revenues (expenses): | | | | | | | | | | | | |
| Operating grants: | | | | | | | | | | | | |
| Federal | - | 209 | 873 | 210,705 | 16,696 | 11 | 399 | 1,440 | 230,333 | 19,697 | 329 | - |
| State / other | - | - | 3,871 | 165,179 | 54,548 | - | 1,742 | - | 225,340 | 232,060 | - | - |
| Interest and investment income | 87,250 | 10,517 | 9,449 | 19,110 | 5,031 | 12,137 | 5,306 | 2,519 | 151,319 | 182,666 | 2,967 | 3,599 |
| Interest expense | (300,160) | (177,494) | (2,809) | (7,811) | (1,161) | (34,569) | (4,063) | (4,528) | (532,595) | (471,300) | (3,089) | (3,911) |
| Other nonoperating revenues | 81,132 | 94,525 | 24,115 | 22,886 | - | 5,547 | 3,396 | 13,865 | 245,466 | 237,045 | 792 | 665 |
| Other nonoperating expenses | (113,502) | (529) | (834) | - | - | (14) | (606) | - | (115,485) | (83,897) | - | - |
| Total nonoperating revenues (expenses) | (245,280) | (72,772) | 34,665 | 410,069 | 75,114 | (16,888) | 6,174 | 13,296 | 204,378 | 116,271 | 999 | 353 |
| Income (loss) before capital contributions, transfers, and special item | (232,473) | 112,462 | 66,923 | (630,252) | (76,930) | 64,981 | (12,178) | (68,997) | (776,464) | (374,438) | 2,744 | (3,118) |
| Capital contributions | 49,292 | - | - | 311,388 | - | - | 586 | - | 361,266 | 467,069 | - | - |
| Transfers in | - | 1,220 | 14,000 | 533,569 | 69,106 | 280 | 52,309 | 90,948 | 761,432 | 910,011 | - | 47 |
| Transfers out | (33,743) | (14,805) | (32) | - | (18,626) | (1,468) | (63) | (13,245) | (81,982) | (107,263) | (516) | (1,382) |
| Special item: | | | | | | | | | | | | |
| Receipt of South Beach Harbor operations | - | - | - | - | - | - | - | - | - | 18,340 | - | - |
| Change in net position | (216,924) | 98,877 | 80,891 | 214,705 | (26,450) | 63,793 | 40,654 | 8,706 | 264,252 | 913,719 | 2,228 | (4,453) |
| Net position (deficit) at beginning of year | 124,184 | 542,138 | 686,889 | 4,049,302 | (516,703) | 1,229,143 | 430,638 | 155,130 | 6,700,721 | 5,787,002 | (60,545) | (56,092) |
| Net position (deficit) at end of year | $ (92,740) | $ 641,015 | $ 767,780 | $ 4,264,007 | $ (543,153) | $ 1,292,936 | $ 471,292 | $ 163,836 | $ 6,964,973 | $ 6,700,721 | $ (58,317) | $ (60,545) |

The notes to the financial statements are an integral part of this statement.



## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2020
(With comparative financial information year ended June 30, 2019)
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | | Governmental Activities - Internal Service Funds | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | Total | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | 2020 | 2019 | 2020 | 2019 |
| Cash flows from operating activities: | | | | | | | | | | | | |
| Cash received from customers, including cash deposits | $ 979,219 | $ 565,100 | $ 422,749 | $ 445,591 | $ 837,365 | $ 343,966 | $ 29,495 | $ 194,785 | $ 3,818,270 | $ 3,749,454 | $ 172,350 | $ 218,809 |
| Cash received from tenants for rent | - | 11,921 | 284 | 6,550 | 2,640 | 640 | 76,592 | - | 98,627 | 106,543 | - | - |
| Cash paid for employees' services | (320,001) | (127,216) | (60,284) | (847,737) | (589,470) | (89,751) | (44,885) | (219,598) | (2,298,942) | (2,172,675) | (61,470) | (59,767) |
| Cash paid to suppliers for goods and services | (285,723) | (133,064) | (282,762) | (387,100) | (399,953) | (99,755) | (54,469) | (51,024) | (1,693,850) | (1,635,045) | (88,015) | (150,275) |
| Cash paid for judgments and claims | - | (3,976) | (2,123) | (4,247) | - | (4,105) | - | - | (14,451) | (18,300) | - | - |
| Net cash provided by (used in) operating activities | 373,495 | 312,765 | 77,864 | (786,943) | (149,418) | 150,995 | 6,733 | (75,837) | (90,346) | 29,977 | 22,865 | 8,767 |
| Cash flows from noncapital financing activities: | | | | | | | | | | | | |
| Operating grants | - | 255 | 4,037 | 354,745 | 70,652 | 1,394 | 2,846 | 1,439 | 435,368 | 237,922 | 329 | - |
| Transfers in | - | 1,220 | 14,000 | 489,430 | 69,106 | 280 | - | 90,948 | 664,984 | 818,633 | - | 47 |
| Transfers out | (33,522) | (14,805) | (32) | - | (18,626) | (1,468) | (63) | (13,245) | (81,761) | (107,263) | (516) | (1,382) |
| Other noncapital financing sources | 12,790 | 6,685 | 22,963 | 6,920 | - | 1,511 | 21,000 | - | 71,869 | 42,739 | - | - |
| Other noncapital financing uses | (88,041) | (529) | (1,071) | (1,264) | - | (52) | - | (8) | (90,965) | (68,590) | - | - |
| Net cash provided by (used in) noncapital financing activities | (108,773) | (7,174) | 39,897 | 849,831 | 121,132 | 1,665 | 23,783 | 79,134 | 999,495 | 923,441 | (187) | (1,335) |
| Cash flows from capital and related financing activities: | | | | | | | | | | | | |
| Capital grants and other proceeds restricted for capital purposes | 53,074 | - | - | 357,871 | - | - | 495 | 14,181 | 425,621 | 550,767 | - | - |
| Transfers in | - | - | - | 44,139 | - | - | 52,309 | - | 96,448 | 91,378 | - | - |
| Bond sale proceeds and loans received | 959,475 | 613,002 | - | 3,818 | - | 36,152 | - | - | 1,612,447 | 1,624,289 | - | 55,231 |
| Proceeds from sale/transfer of capital assets | - | 397 | 9 | 399 | - | 38 | 15 | - | 858 | 6,114 | - | - |
| Proceeds from commercial paper borrowings | 49,375 | 201,018 | 12,811 | - | 196 | 4,390 | - | - | 267,790 | 612,303 | - | - |
| Proceeds from passenger facility charges | 91,921 | - | - | - | - | - | - | - | 91,921 | 111,121 | - | - |
| Acquisition of capital assets | (890,511) | (200,600) | (85,465) | (500,765) | (4,040) | (337,299) | (24,930) | (1,816) | (2,045,426) | (2,945,436) | (5,741) | (3,406) |
| Retirement of capital leases, bonds and loans | (211,170) | (720,633) | (2,894) | (10,996) | (5,539) | (111,984) | (6,185) | (19,793) | (1,089,194) | (392,646) | (6,083) | (92,719) |
| Bond issue costs paid | - | (1,913) | - | - | - | (40) | - | - | (1,953) | (2,805) | (61) | (644) |
| Interest paid on debt | (399,724) | (213,874) | (3,901) | (10,113) | (1,185) | (72,850) | (3,673) | (5,755) | (711,075) | (630,117) | (3,246) | (3,977) |
| Federal interest income subsidy from Build America Bonds | - | 23,894 | 467 | - | - | 4,032 | - | - | 28,393 | 28,576 | - | - |
| Other capital financing sources | - | - | - | 6,620 | - | - | - | - | 6,620 | 15,633 | - | 7,566 |
| Other capital financing uses | - | - | - | - | - | - | (1,180) | - | (1,180) | (2,565) | - | - |
| Net cash provided by (used in) capital and related financing activities | (347,560) | (298,709) | (78,973) | (109,027) | (10,568) | (477,561) | 16,851 | (13,183) | (1,318,730) | (933,388) | (15,131) | (37,949) |
| Cash flows from investing activities: | | | | | | | | | | | | |
| Purchases of investments with trustees | (1,266,897) | (297,633) | (5,028) | - | - | (92,971) | - | - | (1,662,529) | (1,592,629) | - | - |
| Proceeds from sale of investments with trustees | 1,327,477 | 347,361 | 5,028 | - | - | 101,291 | - | - | 1,781,157 | 1,635,542 | - | 2,260 |
| Interest and investment income | 75,892 | 10,001 | 8,850 | 22,760 | 5,031 | 15,087 | 6,007 | 2,893 | 146,521 | 119,260 | 554 | 510 |
| Other investing activities | - | - | - | - | - | - | - | - | - | - | - | (47) |
| Net cash provided by investing activities | 136,472 | 59,729 | 8,850 | 22,760 | 5,031 | 23,407 | 6,007 | 2,893 | 265,149 | 162,173 | 554 | 2,723 |
| Net increase (decrease) in cash and cash equivalents | 53,634 | 66,611 | 47,638 | (23,379) | (33,823) | (301,494) | 53,374 | (6,993) | (144,432) | 182,203 | 8,101 | (27,794) |
| Cash and cash equivalents-beginning of year | 1,801,082 | 479,236 | 326,242 | 895,927 | 175,380 | 727,184 | 192,761 | 99,646 | 4,697,458 | 4,515,255 | 32,030 | 59,824 |
| Cash and cash equivalents-end of year | $ 1,854,716 | $ 545,847 | $ 373,880 | $ 872,548 | $ 141,557 | $ 425,690 | $ 246,135 | $ 92,653 | $ 4,553,026 | $ 4,697,458 | $ 40,131 | $ 32,030 |

The notes to the financial statements are an integral part of this statement.

## Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2020
(With comparative financial information year ended June 30, 2019)
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | | | | | | | | Governmental Activities - Internal Service Funds | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Major Funds | | | | | | | | Total | | | |
| | San Francisco International Airport | San Francisco Water Enterprise | Hetch Hetchy Water and Power | Municipal Transportation Agency | General Hospital Medical Center | San Francisco Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | 2020 | 2019 | 2020 | 2019 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | |
| Operating income (loss) | $ 12,807 | $ 185,234 | $ 32,258 | $ (1,040,321) | $ (152,044) | $ 81,869 | $ (18,352) | $ (82,293) | $ (980,842) | $ (490,709) | $ 1,745 | $ (3,471) |
| Adjustments for non-cash and other activities: | | | | | | | | | | | | |
| Depreciation and amortization | 312,118 | 142,228 | 20,999 | 205,112 | 21,689 | 62,967 | 26,379 | 12,381 | 803,873 | 720,576 | 3,595 | 2,859 |
| Provision for uncollectibles | 16,767 | 781 | 1,797 | 14 | - | 908 | 6,176 | - | 26,443 | 2,584 | - | - |
| Write-off of capital assets | - | 5,285 | 12,237 | - | - | 4,728 | - | - | 22,250 | 15,773 | - | - |
| Other | 1,929 | - | - | - | - | - | - | - | 1,929 | 3,177 | 162 | 43 |
| Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources: | | | | | | | | | | | | |
| Receivables, net | (1,959) | (6,928) | 1,167 | 79 | (52,914) | (949) | (6,456) | (15,361) | (83,321) | (104,399) | 5,628 | 18,590 |
| Due from other funds | - | 323 | (1,731) | - | - | (129) | - | 4,165 | 2,628 | 40,299 | - | - |
| Inventories | (5,632) | (351) | (181) | (8,246) | (2,631) | (192) | (235) | (302) | (17,770) | 1,882 | - | - |
| Other assets | 257 | - | 1,732 | (302) | - | - | 150 | - | 1,837 | (4,998) | - | - |
| Accounts payable | 3,700 | (2,050) | 6,119 | (6,080) | 6,939 | 1,912 | (486) | 1,463 | 11,517 | (110,629) | 8,065 | (6,242) |
| Accrued payroll | 2,843 | 1,548 | 778 | 2,743 | 4,686 | 858 | 405 | 1,715 | 15,576 | 6,613 | 410 | (112) |
| Accrued vacation and sick leave pay | 3,604 | 1,520 | 652 | 5,639 | 5,145 | 1,637 | 527 | 1,491 | 20,215 | 1,324 | 587 | 134 |
| Accrued workers' compensation | 300 | (1,162) | (112) | 5,380 | 412 | 137 | 9 | 642 | 5,606 | 18,625 | (114) | (62) |
| Estimated claims payable | - | (742) | 602 | 36,016 | - | (477) | - | - | 35,399 | (1,311) | - | - |
| Due to other funds | - | 674 | (1,501) | 37 | - | 1 | 2,796 | - | 2,007 | (850) | 20 | - |
| Unearned revenues and other liabilities | (3,392) | (2,505) | 163 | (2,202) | (358) | 890 | (1,900) | 6,637 | (2,667) | (19,891) | 3,019 | (3,226) |
| Net pension liability and pension related deferred outflows and inflows of resources | 24,680 | (7,351) | 1,610 | (957) | 12,141 | (1,603) | (2,392) | (6,972) | 19,156 | (54,727) | (2,378) | (2,480) |
| Net OPEB liability and OPEB related deferred outflows and inflows of resources | 5,473 | (3,739) | 1,275 | 16,145 | 7,517 | (1,562) | 112 | 597 | 25,818 | 6,638 | 2,126 | 2,734 |
| Total adjustments | 360,688 | 127,531 | 45,606 | 253,378 | 2,626 | 69,126 | 25,085 | 6,456 | 890,496 | 520,686 | 21,120 | 12,238 |
| Net cash provided by (used in) operating activities | $ 373,495 | $ 312,765 | $ 77,864 | $ (786,943) | $ (149,418) | $ 150,995 | $ 6,733 | $ (75,837) | $ (90,346) | $ 29,977 | $ 22,865 | $ 8,767 |
| Reconciliation of cash and cash equivalents to the statement of net position: | | | | | | | | | | | | |
| Deposits and investments with City Treasury: | | | | | | | | | | | | |
| Unrestricted | $ 515,525 | $ 451,499 | $ 355,051 | $ 731,318 | $ 141,354 | $ 351,915 | $ 184,754 | $ - | $ 2,731,416 | $ 2,452,211 | $ 33,807 | $ 25,465 |
| Restricted | 1,332,563 | - | 17,828 | 117,017 | - | 55,132 | 55,958 | 92,527 | 1,671,025 | 2,066,933 | - | - |
| Deposits and investments outside City Treasury: | | | | | | | | | | | | |
| Unrestricted | 18,952 | 353 | 2 | 3,382 | 8 | 356 | 5 | 2 | 23,060 | 14,988 | - | - |
| Restricted | 830,789 | 97,562 | 3,946 | 20,831 | 195 | 21,504 | 5,691 | 124 | 980,642 | 1,021,214 | 6,324 | 6,565 |
| Total deposits and investments | 2,697,829 | 549,414 | 376,827 | 872,548 | 141,557 | 428,907 | 246,408 | 92,653 | 5,406,143 | 5,555,346 | 40,131 | 32,030 |
| Less: Investments outside City Treasury not meeting the definition of cash equivalents | (843,113) | (3,567) | (2,947) | - | - | (3,217) | (273) | - | (853,117) | (857,888) | - | - |
| Cash and cash equivalents at end of year on statement of cash flows | $ 1,854,716 | $ 545,847 | $ 373,880 | $ 872,548 | $ 141,557 | $ 425,690 | $ 246,135 | $ 92,653 | $ 4,553,026 | $ 4,697,458 | $ 40,131 | $ 32,030 |
| Non-cash capital and related financing activities: | | | | | | | | | | | | |
| Acquisition of capital assets on accounts payable and capital lease | $ 140,882 | $ 29,951 | $ 11,738 | $ - | $ - | $ 85,355 | $ 2,840 | $ - | $ 270,766 | $ 239,383 | $ - | $ 74 |
| Tenant improvements financed by rent credits | - | - | - | - | - | - | - | - | - | 90 | - | - |
| Net capitalized interest | 62,828 | 27,164 | 1,127 | 5,484 | - | 28,563 | 22 | - | 125,188 | 155,746 | - | - |
| Donated inventory | - | - | - | - | 1,833 | - | - | - | 1,833 | 1,746 | - | - |
| Capital contributions and other noncash capital items | - | 63,600 | - | - | - | - | 25,997 | - | 89,597 | (188) | - | - |
| Bond refunding through fiscal agent | 331 | - | - | - | - | - | - | (113,185) | (112,854) | 18,134 | - | - |
| Bond proceeds held by fiscal agent | 157,352 | - | - | - | - | - | - | 100,733 | 258,085 | 577,510 | - | - |
| Commercial paper repaid through fiscal agent | 49,410 | - | - | - | - | - | - | - | 49,410 | 431,945 | - | - |
| Interfund loan | - | 674 | 847 | - | - | 849 | - | - | 2,370 | 955 | - | - |
| Capital assets received from Succcessor Agency | - | - | - | - | - | - | - | - | - | 19,966 | - | - |
| Debt assumed from Successor Agency | - | - | - | - | - | - | - | - | - | (6,144) | - | - |

The notes to the financial statements are an integral part of this statement.



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## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Fiduciary Net Position
### Fiduciary Funds
June 30, 2020
(In Thousands)

| | Pension, Other Employee and Other Post-Employment Benefit Trust Funds | Investment Trust Fund | Private-Purpose Trust Fund | Agency Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments with City Treasury | $ 162,045 | $ 290,970 | $ 242,756 | $ 350,439 |
| Deposits and investments outside City Treasury: | | | | |
| Cash and deposits | 44,386 | - | - | 24 |
| Short-term investments | 532,617 | - | - | - |
| Debt securities | 2,233,295 | - | - | - |
| Equity securities | 8,935,027 | - | - | - |
| Real assets | 3,840,427 | - | - | - |
| Private equity and other alternative investments | 11,099,962 | - | - | - |
| Foreign currency contracts, net | (116) | - | - | - |
| Invested in securities lending collateral | 547,047 | - | - | - |
| Receivables: | | | | |
| Employer and employee contributions | 47,947 | - | - | 174,884 |
| Brokers, general partners and others | 463,531 | - | - | - |
| Federal and state grants and subventions | - | - | 404 | - |
| Interest and other | 14,749 | 1,340 | 4,327 | 152,698 |
| Loans (net of allowance for uncollectible amounts) | - | - | 1,471 | - |
| Other assets | 2,602 | - | 1,756 | 45,537 |
| Restricted assets: | | | | |
| Deposits and investments outside City Treasury | - | - | 326,640 | - |
| Capital assets: | | | | |
| Land and other assets not being depreciated | - | - | 4,152 | - |
| Facilities, infrastructure and equipment, net of depreciation | - | - | 4 | - |
| Total assets | 27,923,519 | 292,310 | 581,510 | 723,582 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Unamortized loss on refunding of debt | - | - | 41,440 | - |
| Deferred outflows related to pensions | - | - | 6,373 | - |
| Deferred outflows related to OPEB | 1,587 | - | 3,554 | - |
| Total deferred outflows of resources | 1,587 | - | 51,367 | - |
| **LIABILITIES** | | | | |
| Accounts payable | 37,792 | 3 | 97,279 | 58,947 |
| Estimated claims payable | 27,025 | - | - | - |
| Due to the primary government | - | - | 5,210 | - |
| Agency obligations | - | - | - | 664,635 |
| Accrued interest payable | - | - | 13,730 | - |
| Payable to brokers | 41,491 | - | - | - |
| Payable to borrowers of securities | 547,029 | - | - | - |
| Other liabilities | 3,179 | - | 1,003 | - |
| Advance from primary government | - | - | 4,669 | - |
| Long-term obligations | - | - | 933,869 | - |
| Net pension liability | - | - | 29,803 | - |
| Net other postemployment benefits (OPEB) liability | 12,799 | - | 4,344 | - |
| Total liabilities | 669,315 | 3 | 1,089,907 | 723,582 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows related to pensions | - | - | 4,095 | - |
| Deferred inflows related to OPEB | 1,239 | - | 13 | - |
| Total deferred inflows of resources | 1,239 | - | 4,108 | - |
| **NET POSITION** | | | | |
| Restricted for pension and other employee benefits | 27,254,552 | - | - | - |
| Held for external pool participants | - | 292,307 | - | - |
| Held for Redevelopment Agency dissolution | - | - | (461,138) | - |
| Total net position | $ 27,254,552 | $ 292,307 | $ (461,138) | $ - |

The notes to the financial statements are an integral part of this statement.



## CITY AND COUNTY OF SAN FRANCISCO

### Statement of Changes in Fiduciary Net Position
### Fiduciary Funds
Year Ended June 30, 2020
(In Thousands)

| | Pension, Other Employee and Other Post-Employment Benefit Trust Funds | Investment Trust Fund | Private-Purpose Trust Fund |
|---|---|---|---|
| Additions: | | | |
| Redevelopment property tax revenues | $ - | $ - | $ 156,495 |
| Charges for services | - | - | 20,487 |
| Contributions: | | | |
| Employee contributions | 625,641 | - | - |
| Employer contributions | 1,814,298 | - | - |
| Contributions to pooled investments | - | 3,097,428 | - |
| Total contributions | 2,439,939 | 3,097,428 | 176,982 |
| Investment income (expenses): | | | |
| Interest | 89,360 | 8,446 | 8,230 |
| Dividends | 108,344 | - | - |
| Net appreciation in fair value of investments | 840,954 | - | - |
| Securities lending income | 1,313 | - | - |
| Total investment income | 1,039,971 | 8,446 | 8,230 |
| Less investment expenses: | | | |
| Other investment expenses | (46,752) | - | - |
| Net investment income | 993,219 | 8,446 | 8,230 |
| Other additions | - | - | 4,051 |
| Total additions, net | 3,433,158 | 3,105,874 | 189,263 |
| Deductions: | | | |
| Neighborhood development | - | - | 121,542 |
| Depreciation | - | - | 9 |
| Interest on debt | - | - | 43,564 |
| Benefit payments | 2,702,632 | - | - |
| Refunds of contributions | 17,036 | - | - |
| Distribution from pooled investments | - | 3,289,637 | - |
| Administrative expenses | 20,384 | - | 14,315 |
| Total deductions | 2,740,052 | 3,289,637 | 179,430 |
| Change in net position | 693,106 | (183,763) | 9,833 |
| Net position at beginning of year | 26,561,446 | 476,070 | (470,971) |
| Net position at end of year | $ 27,254,552 | $ 292,307 | $ (461,138) |

The notes to the financial statements are an integral part of this statement.

## (1) The Financial Reporting Entity

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

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

### *Blended Component Units*

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

*San Francisco County Transportation Authority (Transportation Authority)* – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

*San Francisco City and County Finance Corporation (Finance Corporation)* – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20.0 million (plus 5.0 percent per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*San Francisco Parking Authority (Parking Authority)* – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.





### *Discretely Presented Component Unit*

*Treasure Island Development Authority (TIDA)* – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

### *Fiduciary Component Unit*

*Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency)* – The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

***Non-Disclosed Organizations***

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2019, from which the summarized information was derived.

### (b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.





Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system.

- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Debt Service Funds*** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments.
- The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.
In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water



CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2020
(Dollars in Thousands)

Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**(c) Deposits and Investments**

***Investment in the Treasurer's Pool***

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the Board of Supervisors, manages the Treasurer's pool. 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 through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System and of the Retiree Health Care Trust Fund are held by trustees.

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2020, involuntary participants accounted for approximately 97.0 percent of the pool. Voluntary participants accounted for 3.0 percent of the pool. Further, the School District, Community College District, and the Trial Courts of the State of California are external participants of the City's pool. At June 30, 2020, $291.0 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 2.4 percent. Internal participants accounted for 97.6 percent of the pool.

***Investment Valuation***

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposit and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

*Retirement System* – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the partnership interests, which include private equity, real assets, private credit, and some public equity investments are based on net asset values (NAV) provided by the general partners and investment managers.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

*San Francisco International Airport* – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

*Other funds* – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

***Investment Income***

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is





recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, LHH, SFGH, and the internal service funds.

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis, are recorded as other income instead of transfer in the GAAP basis. This is the case for certain Agency Funds.

**(d) Loans Receivable**

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2020, it was determined that $1,746.7 million of the $1,891.4 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

**(e) Inventories**

Inventories recorded in the governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting.

**(f) Property Held for Resale**

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for resale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

**(g) Capital Assets**

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization.

Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Facilities and improvements | 15 to 175 |
| Infrastructure | 15 to 70 |
| Machinery and equipment | 2 to 75 |
| Intangible assets | Varies with type |

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

**(h) Accrued Vacation and Sick Leave Pay**

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

**(i) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion**

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.





**(j) Fund Equity**

***Governmental Fund Balance***

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

***Encumbrances***

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year end are recorded as part of restricted or assigned fund balance.

***Net Position***

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

**(k) Interfund Transfers**

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

**(l) Refunding of Debt**

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

**(m) Pollution Remediation Obligations**

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

**(n) Cash Flows**

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

**(o) Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

**(p) Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.





**(q) Restricted Assets**

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

**(r) Deferred Outflows and Inflows of Resources**

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, and deferred outflows of resources on derivative instruments.

**(s) 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.

(Dollars in Thousands)

## (3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### (a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, $5,039,876 differs from net position of governmental activities, $3,133,622 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

| | Total Governmental Funds | Long-term Assets, Liabilities (1) | Internal Service Funds (2) | Reclassi-fications and Eliminations | Statement of Net Position Totals |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Deposits and investments with City Treasury | $ 6,728,540 | $ - | $ 33,807 | $ - | $ 6,762,347 |
| Deposits and investments outside City Treasury | 310,700 | - | 6,324 | - | 317,024 |
| Receivables, net | | | | | |
| Property taxes and penalties | 184,652 | - | - | - | 184,652 |
| Other local taxes | 398,577 | - | - | - | 398,577 |
| Federal and state grants and subventions | 324,931 | - | - | - | 324,931 |
| Charges for services | 122,877 | - | 238 | - | 123,115 |
| Interest and other | 30,303 | - | 351 | - | 30,654 |
| Due from other funds | 21,108 | - | - | (21,108) | - |
| Due from component units | 15,726 | - | - | - | 15,726 |
| Advance to component unit | 4,669 | - | - | - | 4,669 |
| Loans receivable, net | 144,684 | - | - | - | 144,684 |
| Inventories | 44,703 | - | - | - | 44,703 |
| Capital assets, net | - | 6,688,521 | 14,236 | - | 6,702,757 |
| Other assets | 25,987 | 412 | - | - | 26,399 |
| Total assets | 8,357,457 | 6,688,933 | 54,956 | (21,108) | 15,080,238 |
| **Deferred outflows of resources** | | | | | |
| Unamortized loss on refunding of debt | - | 10,327 | 880 | - | 11,207 |
| Deferred outflows related to pensions | - | 857,044 | 18,512 | - | 875,556 |
| Deferred outflows related to OPEB | - | 268,481 | 6,222 | - | 274,703 |
| Total deferred outflows of resources | - | 1,135,852 | 25,614 | - | 1,161,466 |
| **Liabilities** | | | | | |
| Accounts payable | 556,270 | - | 10,247 | - | 566,517 |
| Accrued payroll | 141,084 | - | 2,660 | - | 143,744 |
| Accrued vacation and sick leave pay | - | 193,590 | 4,172 | - | 197,762 |
| Accrued workers' compensation | - | 290,548 | 1,583 | - | 292,131 |
| Estimated claims payable | - | 194,137 | - | - | 194,137 |
| Accrued interest payable | - | 20,776 | 883 | - | 21,659 |
| Unearned grant and subvention revenues | 187,824 | - | - | - | 187,824 |
| Due to other funds | 59,925 | - | 20 | (21,108) | 38,837 |
| Unearned revenue and other liabilities | 1,702,137 | 1,351 | 34 | - | 1,703,522 |
| Bonds, loans, capital leases, and other payables | 108,190 | 3,840,849 | 127,773 | - | 4,076,812 |
| Net pension liability | - | 2,775,426 | 48,163 | - | 2,823,589 |
| Net OPEB liability | - | 2,069,811 | 48,300 | - | 2,118,111 |
| Total liabilities | 2,755,430 | 9,386,488 | 243,835 | (21,108) | 12,364,645 |
| **Deferred inflows of resources** | | | | | |
| Unavailable revenue | 562,151 | (562,151) | - | - | - |
| Unamortized gain on refunding of debt | - | 17,742 | 317 | - | 18,059 |
| Deferred inflows related to pensions | - | 532,172 | 11,125 | - | 543,297 |
| Deferred inflows related to OPEB | - | 177,316 | 4,765 | - | 182,081 |
| Total deferred inflows of resources | 562,151 | 165,079 | 16,207 | - | 743,437 |
| **Fund balances/ net position** | | | | | |
| Total fund balances/ net position | $ 5,039,876 | $ (1,726,782) | $ (179,472) | $ - | $ 3,133,622 |





(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

| | |
|---|---|
| Cost of capital assets | $ 8,864,868 |
| Accumulated depreciation | (2,176,347) |
| | $ 6,688,521 |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

| | |
|---|---|
| Accrued vacation and sick leave pay | $ (193,590) |
| Accrued workers' compensation | (290,548) |
| Estimated claims payable | (194,137) |
| Unearned revenue and other liabilities | (1,351) |
| Bonds, loans, capital leases, and other payables | (3,840,849) |
| | $(4,520,475) |

| | |
|---|---|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | $ (20,776) |

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Unamortized loss on refunding of debt | $ 10,327 |
| Unamortized gain on refunding of debt | (17,742) |
| | $ (7,415) |

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Net pension liability | $(2,775,426) |
| Deferred outflows of resources related to pensions | 857,044 |
| Deferred inflows of resources related to pensions | (532,172) |
| | $(2,450,554) |

Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

| | |
|---|---|
| Net OPEB asset | $ 412 |
| Net OPEB liability | (2,069,811) |
| Deferred outflows of resources related to OPEB | 268,481 |
| Deferred inflows of resources related to OPEB | (177,316) |
| | $(1,978,234) |

(Dollars in Thousands)

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

| | |
|---|---|
| Revenue not collected within 60 days of the end of the current fiscal period | $ 562,151 |

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

| | |
|---|---|
| Net position before adjustments | $ (58,317) |
| Adjustments for internal balances with the San Francisco Finance Corporation: | |
| Capital lease receivables from other governmental and enterprise funds | (123,792) |
| Unearned revenue and other liabilities | 2,637 |
| | $ (179,472) |





**(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The net change in fund balances for governmental funds, $(100,701), differs from the change in net position for governmental activities, $232,131, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

| | Total Governmental Funds | Long-term Revenues/ Expenses (3) | Capital-related Items (4) | Internal Service Funds (5) | Long-term Debt Transactions (6) | Statement of Activities Totals |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property taxes | $ 2,654,937 | $ 78,397 | $ - | $ - | $ - | $ 2,733,334 |
| Business taxes | 833,931 | - | - | - | - | 833,931 |
| Sales and use tax | 279,453 | - | - | - | - | 279,453 |
| Hotel room tax | 280,970 | - | - | - | - | 280,970 |
| Utility users tax | 94,231 | - | - | - | - | 94,231 |
| Parking tax | 69,461 | - | - | - | - | 69,461 |
| Real property transfer tax | 334,535 | - | - | - | - | 334,535 |
| Other local taxes | 70,863 | - | - | - | - | 70,863 |
| Licenses, permits and franchises | 38,472 | 1,490 | - | - | - | 39,962 |
| Fines, forfeitures, and penalties | 43,830 | 506 | - | - | - | 44,336 |
| Interest and investment income | 141,638 | - | - | 543 | - | 142,181 |
| Rents and concessions | 118,865 | 530 | - | - | - | 119,395 |
| Intergovernmental: | | | | | | |
| Federal | 590,697 | 26,103 | - | 329 | - | 617,129 |
| State | 990,264 | 10,380 | - | - | - | 1,000,644 |
| Other | 26,483 | (17) | - | - | - | 26,466 |
| Charges for services | 398,405 | 1,463 | - | - | - | 399,868 |
| Other | 214,359 | 56,697 | - | 162 | - | 271,218 |
| Total revenues | 7,181,394 | 175,549 | - | 1,034 | - | 7,357,977 |
| **Expenditures/ Expenses** | | | | | | |
| Current: | | | | | | |
| Public protection | 1,551,125 | 90,456 | 21,227 | (1,546) | - | 1,661,262 |
| Public works, transportation and commerce | 488,697 | 29,652 | (156,216) | - | - | 362,133 |
| Human welfare and neighborhood development | 2,070,388 | 42,663 | 24,917 | - | - | 2,137,968 |
| Community health | 1,026,915 | 84,937 | 36,356 | - | - | 1,148,208 |
| Culture and recreation | 460,157 | 16,805 | 49,901 | (7,848) | - | 519,015 |
| General administration and finance | 392,629 | 19,273 | 4,453 | 15 | - | 416,370 |
| General City responsibilities | 129,941 | 322 | (8,195) | (2,375) | - | 119,693 |
| Debt service: | | | | | | |
| Principal retirement | 296,875 | - | - | - | (296,875) | - |
| Interest and other fiscal charges | 150,646 | - | - | 3,578 | (17,659) | 136,565 |
| Bond issuance costs | 4,455 | - | - | - | - | 4,455 |
| Payment to refunded bond escrow agent | 8,905 | - | - | - | (4,325) | 4,580 |
| Capital outlay | 454,137 | - | (454,137) | - | - | - |
| Total expenditures | 7,034,870 | 284,108 | (481,694) | (8,176) | (318,859) | 6,510,249 |
| Excess (deficiency) of revenues over (under) expenditures | 146,524 | (108,559) | 481,694 | 9,210 | 318,859 | 847,728 |
| **Other financing sources (uses) / changes in net position** | | | | | | |
| Net transfers in (out) | (678,934) | - | - | (516) | - | (679,450) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | 615,625 | - | - | - | (615,625) | - |
| Premium on issuance of bonds | 73,759 | - | - | - | (73,759) | - |
| Payment to refunded bond escrow agent | (257,675) | - | - | - | 257,675 | - |
| Total other financing sources (uses) | (247,225) | - | - | (516) | (431,709) | (679,450) |
| Capital contributions | - | - | 63,853 | - | - | 63,853 |
| **Net change for the year** | $ (100,701) | $ (108,559) | $ 545,547 | $ 8,694 | $ (112,850) | $ 232,131 |

(Dollars in Thousands)

| | |
|---|---|
| (3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. | $ 78,397 |
| Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. | 97,152 |
| | $ 175,549 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. | $ (536,331) |
| Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. | 203,093 |
| Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. | 66,205 |
| Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. | (17,075) |
| | $ (284,108) |

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets. In addition, contributions of capital assets are not financial resources in the governmental funds but are reported as revenues in the statement of activities.

| | |
|---|---|
| Capital expenditures | $ 698,108 |
| Depreciation expense | (215,379) |
| Loss on disposal of capital assets | (24) |
| Capital contributions | 63,853 |
| Write off of construction in progress | (1,011) |
| Difference | $ 545,547 |

| | |
|---|---|
| (5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. | $ 8,694 |





| | |
|---|---|
| (6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. | $ (73,759) |

Repayment of bond principal and the payment to escrow for refunding of debt are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments and payment to escrow for refunded debt reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders and payments were made to escrow for refunded debt.

| | |
|---|---|
| Principal payments made | $ 296,875 |
| Payments to escrow for refunded debt | 262,000 |
| | 558,875 |

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

| | |
|---|---|
| General obligation bonds | $ (145,500) |
| Refunding general obligation bonds | (195,250) |
| Certificates of participation | (247,810) |
| Refunding certificates of participation | (27,065) |
| | (615,625) |
| | $ (56,750) |

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

| | |
|---|---|
| Increase in accrued interest | $ (2,624) |
| Gain on refundings | (17,831) |
| Amortization of bond premiums | 39,314 |
| Amortization of bond refunding losses and gains | (1,200) |
| | $ 17,659 |

**(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS**

The City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements, with implementation dates as amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance:*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

(Dollars in Thousands)

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the City's year ending June 30, 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses a variety of topics related to postemployment benefits and other issues. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93 addresses the accounting and financial reporting effects of replacement of interbank offering rates with other reference rates in agreements which reference an interbank offering rate. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures





related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. GASB Statement No. 97 clarifies the criteria used in determining whether a fiduciary component unit exists and clarifies financial reporting for Internal Revenue Code section 457 deferred compensation plans. The new standard is effective for periods beginning after June 15, 2021. Application of this statement is effective for the City's year ending June 30, 2022.

## (5) DEPOSITS AND INVESTMENTS

### (a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

| | Primary Government | | | | Component Units |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total | |
| Deposits and investments with City Treasury............................ | $ 6,762,347 | $ 2,731,416 | $ 1,046,210 | $ 10,539,973 | $ - |
| Deposits and investments outside City Treasury............................ | 310,700 | 23,060 | 27,232,669 | 27,566,429 | - |
| Restricted assets: | | | | | |
| Deposits and investments with City Treasury........................ | - | 1,671,025 | - | 1,671,025 | - |
| Deposits and investments outside City Treasury........................ | 6,324 | 980,642 | 326,640 | 1,313,606 | - |
| Total deposits & investments | $ 7,079,371 | $ 5,406,143 | $ 28,605,519 | $ 41,091,033 | $ - |
| Cash and deposits..................... | | | | $ 102,978 | $ - |
| Investments.............................. | | | | 40,988,055 | - |
| Total deposits and investments..... | | | | $ 41,091,033 | $ - |

### (b) Investment Policies

***Treasurer's Pool***

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

(Dollars in Thousands)

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated February 2018.

The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasuries | 5 years | 100% | 100% |
| Federal Agencies | 5 years | 100% | 100% |
| State and Local Government Agency Obligations | 5 years | 20% * | 5% * |
| Public Time Deposits | 13 months * | None | None |
| Negotiable Certificates of Deposit/Yankee Certificates of Deposit | 5 years | 30% | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% * | 10% |
| Medium Term Notes | 24 months * | 25% * | 10% * |
| Repurchase Agreements (Government Securities) | 1 year | None | None |
| Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635) | 1 year | 10% | None |
| Reverse Repurchase Agreements / Securities Lending | 45 days * | None | $75 million * |
| Money Market (Institutional Government Funds) | N/A | 20% | N/A |
| Supranationals | 5 years | 30% | None |
| State of California Local Agency Investment Fund (LAIF) | N/A | Statutory | None |

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

***Other Funds***

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

***Employees' Retirement System***

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption





from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2020, are as follows:

| Asset Class | Target Allocation since September 2017 |
|---|---|
| Global Equity | 31.0% |
| Treasuries | 6.0% |
| Liquid Credit | 3.0% |
| Private Credit | 10.0% |
| Private Equity | 18.0% |
| Real Assets | 17.0% |
| Hedge Funds/Absolute Return | 15.0% |
| | 100.0% |

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

(Dollars in Thousands)

***Retiree Health Care Trust Fund (RHCTF)***

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

| Asset Class | Target Allocation from November 2017 to September 2019 |
|---|---|
| **Equities** | |
| U.S. Equity | 41.0% |
| Developed Market Equity (Non-U.S.) | 20.0% |
| Emerging Market Equity | 16.0% |
| **Credit** | |
| High Yield Bonds | 3.0% |
| Bank Loans | 3.0% |
| Emerging Market Bonds | 3.0% |
| **Rate Securities** | |
| Treasury Inflation-Protected Securities (TIPS) | 5.0% |
| Investment Grade Bonds | 9.0% |
| | 100.0% |

| Asset Class | Target Allocation since October 2019 |
|---|---|
| **Equities** | |
| U.S. Equity | 31.0% |
| Developed Market Equity (Non-U.S.) | 15.0% |
| Emerging Market Equity | 13.0% |
| **Credit** | |
| Bank Loans/ High Yield | 6.0% |
| Emerging Market Bonds | 3.0% |
| **Rate Securities** | |
| Investment Grade Bonds | 9.0% |
| Long-term Government Bonds | 4.0% |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0% |
| **Private Markets** | |
| Private Equity | 5.0% |
| Core Private Real Estate | 5.0% |
| **Risk Mitigating Strategies** | |
| Global Macro | 5.0% |
| | 100.0% |





**(c) Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2020:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value 6/30/2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| **Primary Government:** | | | | |
| **Investments in City Treasury:** | | | | |
| U.S. Treasuries | $ 3,613,851 | $ 3,613,851 | $ - | $ - |
| U.S. Agencies - Discount | 346,714 | - | 346,714 | - |
| U.S. Agencies - Coupon (no call option) | 2,987,109 | - | 2,987,109 | - |
| U.S. Agencies (callable option) | 339,031 | - | 339,031 | - |
| State and Local Agencies | 57,523 | - | 57,523 | - |
| Negotiable Certificates of Deposits | 1,311,853 | - | 1,311,853 | - |
| Corporate Notes | 5,071 | - | 5,071 | - |
| Supranationals | 637,378 | - | 637,378 | - |
| Commercial Paper | 589,955 | - | 589,955 | - |
| Public Time Deposits | 45,000 * | - | - | - |
| Money Market Mutual Funds | 2,312,516 * | - | - | - |
| Subtotal Investments in City Treasury | 12,246,001 | $ 3,613,851 | $ 6,274,634 | $ - |
| **Investments Outside City Treasury:** | | | | |
| (Governmental and Business - Type) | | | | |
| U.S. Treasury Bills | 4,571 | $ 4,571 | $ - | $ - |
| U.S. Treasury Notes | 413,426 | 413,426 | - | |
| U.S. Agencies | 383,694 | - | 383,694 | - |
| State and Local Agencies | 3,899 | - | 3,899 | - |
| Corporate Notes | 3,139 | - | 3,139 | - |
| Supranationals | 6,291 | - | 6,291 | - |
| Negotiable Certificates of Deposit | 3,214 | - | 3,214 | - |
| Commercial Paper | 1,478 * | - | - | - |
| Money Market Mutual Funds | 733,810 * | - | - | - |
| Certificates of Deposit | 273 * | - | - | - |
| Subtotal Investments Outside City Treasury | 1,553,795 | $ 417,997 | $ 400,237 | $ - |

* Not subject to fair value hierarchy

(Dollars in Thousands)

| | Fair Value 6/30/2020 | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Employees' Retirement System Investments** | | | | |
| Short-Term Investments | $ 524,408 | $ - | $ - | $ 524,408 |
| Debt Securities: | | | | |
| U.S. Government and Agency Securities | 1,094,201 | 1,094,199 | 2 | - |
| Other Debt Securities | 820,556 | 179,683 | 546,063 | 94,810 |
| Equity Securities: | | | | |
| Domestic Equity | 2,884,344 | 2,876,298 | 8,046 | - |
| International Equity | 1,867,980 | 1,867,041 | 930 | 9 |
| Foreign Currency Contracts, net | (116) | - | - | (116) |
| Invested Securities Lending Collateral | 547,047 | - | 420,514 | 126,533 |
| Subtotal | 7,738,420 | $ 6,017,221 | $ 975,555 | $ 745,644 |
| **Investments measured at the net asset value (NAV)** | | | | |
| Short-Term Investments | 1,645 | | | |
| Fixed Income invested in: | | | | |
| Other Debt Securities | 137,868 | | | |
| Equity Funds invested in: | | | | |
| Domestic | 3,319,968 | | | |
| International | 534,046 | | | |
| Real Assets | 3,840,427 | | | |
| Private Credit | 1,291,763 | | | |
| Private Equity | 6,105,532 | | | |
| Absolute Return | 3,702,667 | | | |
| Total investments measured at the NAV | 18,933,916 | | | |
| Subtotal Investments in Employees' Retirement System | 26,672,336 | | | |
| **Retiree Health Care Trust Investments measured at the NAV** | | | | |
| Short-Term Investments | 6,564 | | | |
| Fixed Income: | | | | |
| Debt Index Funds | 180,670 | | | |
| Equities: | | | | |
| Domestic | 166,719 | | | |
| International | 161,970 | | | |
| Subtotal Investments in Retiree Health Care Trust | 515,923 | | | |
| **Total Investments** | **$ 40,988,055** | | | |

### *Investments Held in City Treasury*

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, State and Local Agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72. Public Time Deposits are measured at cost.





### *Investments Held Outside City Treasury*

U.S. Treasury Bills and Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies, State and Local Agencies, Corporate Notes, Supranationals, and Negotiable Certificates of Deposit are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to the fair value hierarchy.

### *Employees' Retirement System Investments*

#### Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

#### Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private equity, real assets, private credit, absolute return, and some public equity investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset values are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

(Dollars in Thousands)

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investment strategies include capital preservation, return maximization and opportunistic. Investments in the asset class are achieved through commingled funds and separate account partnerships. Private credit investments are mostly illiquid and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules. There are fourteen public equity investments held in commingled funds valued at net asset value. Two investments, valued at $0.8 million, are currently being liquidated with proceeds expected over the next 1-3 years. The remaining investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2020

| % of NAV | Redemption Frequency (excludes illiquid) | Redemption Notice Period |
|---|---|---|
| 44% | Monthly | 5-95 Days |
| 46% | Quarterly | 45-180 Days |
| 10% | Semi-annually | 60-180 Days |
| 100% | | |

| % of NAV in Lock Up | As of Fiscal Year End |
|---|---|
| 13% | 2020-2021 |
| 9% | 2021-2022 |
| 4% | 2022-2023 |
| 1% | 2023-2024 |





***Retiree Health Care Trust Fund***

**Investments at Net Asset Value (NAV)**

At June 30, 2020, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2020, one debt security investment valued at $38.9 million has quarter end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment valued at $76.1 million has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. There are no redemption restrictions for the remaining commingled funds.

**(d) Investment Risks**

***Custodial Credit Risk - Deposits***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2020, $698 of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

(Dollars in Thousands)

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

| | | | Investment Maturities | |
|---|---|---|---|---|
| | S & P Rating | Fair Value | Less than 1 year | 1 to 5 years |
| **Primary Government:** | | | | |
| Investments in City Treasury: | | | | |
| U.S. Treasury Notes | AA+ | $ 3,613,851 | $ 3,125,053 | $ 488,798 |
| U.S. Agencies | NR - AA+ | 3,672,854 | 1,637,497 | 2,035,357 |
| Negotiable Certificates of Deposit | A-1 - A-1+ | 1,311,853 | 1,311,853 | - |
| Money Market Mutual Funds | AAAm | 2,312,516 | 2,312,516 | - |
| Public time deposits | NR | 45,000 | 45,000 | - |
| State and Local Agencies | AA- - AA+ | 57,523 | 57,523 | - |
| Supranationals | AAA | 637,378 | 473,053 | 164,325 |
| Corporate Notes | A-1+ | 5,071 | 5,071 | - |
| Commercial Paper | A-1 - A-1+ | 589,955 | 589,955 | - |
| Less: Employees' Retirement System Investments with City Treasury | n/a | (32,391) | (32,391) | - |
| Less: Retiree Health Care Trust Investments with City Treasury | n/a | (2,882) | (2,882) | - |
| Subtotal pooled investments | | 12,210,728 | $ 9,522,248 | $ 2,688,480 |
| Investments Outside City Treasury: (Governmental and Business - Type) | | | | |
| U.S. Treasury Bills | NR | $ 4,571 | $ 4,571 | $ - |
| U.S. Treasury Notes | AA+, A-1+ | 413,426 | 132,752 | 280,674 |
| U.S. Agencies | AA+, A-1+ | 383,694 | 71,665 | 312,029 |
| State and Local Agencies | AA+, AA, AA-, AAA, NR | 3,899 | 1,374 | 2,525 |
| Supranationals | AAA | 6,291 | 708 | 5,583 |
| Corporate notes | AA+, AA-, A+ | 3,139 | 2,581 | 558 |
| Money Market Mutual Funds | A-1+, AAAm | 624,046 | 624,046 | - |
| U.S. Treasury Money Market Funds | AAAm | 109,764 | 109,764 | - |
| Commercial Paper | A-1+, A-1, AAAm | 1,478 | 1,478 | - |
| Certificates of Deposit | A-1, A+, AA-, NR | 3,487 | 1,437 | 2,050 |
| Subtotal investments outside City Treasury | | 1,553,795 | $ 950,376 | $ 603,419 |
| Retiree Health Care Trust Investments | | 518,805 | | |
| Employees' Retirement System investments | | 26,704,727 | | |
| **Total Primary Government** | | $ 40,988,055 | | |
| **Total Investments** | | **$ 40,988,055** | | |

As of June 30, 2020, the investments in the City Treasury had a weighted average maturity of 249 days.





***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

***Custodial Credit Risk - Investments***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

***Concentration of Credit Risk***

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2020, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank................................................................16.4%
Federal Home Loan Bank..................................................................6.8%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2020:

Airport:
Federal National Mortgage Association ....................................19.6%
Federal Home Loan Bank..........................................................12.0%
Federal Home Loan Mortgage Corporation.................................9.9%

(Dollars in Thousands)

**(e) Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2020:

**Statement of Net Position**

| | |
|---|---|
| Net position held in trust for all pool participants | $12,210,998 |
| Equity of internal pool participants | $11,920,028 |
| Equity of external pool participants | 290,970 |
| Total equity | $12,210,998 |

**Statement of Changes in Net Position**

| | |
|---|---|
| Net position at July 1, 2019 | $11,530,990 |
| Net change in investments by pool participants | 680,008 |
| Net position at June 30, 2020 | $12,210,998 |

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2020:

| Type of Investment | Rates | Maturities | Par Value | Carrying Value |
|---|---|---|---|---|
| Pooled Investments: | | | | |
| U.S. Treasuries | 0.09% - 2.57% | 07/02/20 - 11/15/23 | $ 3,585,000 | $ 3,613,851 |
| U.S. Agencies | 0.10% - 3.09% | 07/06/20 - 03/03/25 | 3,619,485 | 3,672,854 |
| State and local agencies | 1.40% - 2.80% | 04/01/21 - 05/15/21 | 56,737 | 57,523 |
| Public time deposits | 0.06% - 0.35% | 09/21/20 - 12/23/20 | 45,000 | 45,000 |
| Negotiable certificates of deposit | 0.43% - 1.87% | 07/01/20 - 03/15/21 | 1,308,790 | 1,311,853 |
| Commercial paper | 1.51% - 1.96% | 07/01/20 - 08/25/20 | 590,000 | 589,955 |
| Corporate notes | 3.08% - 3.08% | 01/08/21 - 01/08/21 | 5,000 | 5,071 |
| Money market mutual funds | 0.06% - 0.12% | 07/01/20 - 07/01/20 | 2,312,516 | 2,312,516 |
| Supranationals | 0.25% - 2.97% | 07/01/20 - 01/28/25 | 632,135 | 637,378 |
| | | | $12,154,663 | 12,246,001 |
| Carrying amount of deposits with Treasurer | | | | (35,003) |
| Total cash and investments with Treasurer | | | | $ 12,210,998 |





**(f) Retirement System's Investments**

The Retirement System's investments as of June 30, 2020, are summarized as follows:

| | |
|---|---|
| Fixed Income Investments: | |
| Short-term investments | $ 526,053 |
| Investments in City Treasury | 32,391 |
| Debt securities: | |
| U.S. Government and agencies | 1,094,201 |
| Other debt securities | 958,424 |
| Subtotal debt securities | 2,052,625 |
| Total fixed income investments | 2,611,069 |
| Equity securities: | |
| Domestic | 6,204,312 |
| International | 2,402,026 |
| Total equity securities | 8,606,338 |
| Real assets | 3,840,427 |
| Private credit | 1,291,763 |
| Private equity | 6,105,532 |
| Absolute return | 3,702,667 |
| Foreign currency contracts, net | (116) |
| Invested securities lending collateral | 547,047 |
| **Total Retirement System Investments** | $ 26,704,727 |

(Dollars in Thousands)

***Interest Rate Risk***

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2020:

| Investment Type | Fair Value | Maturities: Less than 1 year | 1-5 years | 6-10 years | 10+ years |
|---|---|---|---|---|---|
| Asset-Backed Securities | $ 10,108 | $ - | $ 60 | $ 505 | $ 9,543 |
| Bank Loans | 94,415 | 1,517 | 56,186 | 36,712 | - |
| City Investment Pool | 32,391 | 32,391 | - | - | - |
| Collateralized Bonds | 802 | - | - | 532 | 270 |
| Commercial Mortgage-Backed | 75,597 | 951 | 247 | 2,862 | 71,537 |
| Commingled and Other Fixed Income Funds | 315,749 | 444 | - | 83,140 | 232,165 |
| Corporate Bonds | 159,427 | 2,535 | 68,865 | 77,552 | 10,475 |
| Corporate Convertible Bonds | 167,019 | 8,612 | 100,002 | 51,691 | 6,714 |
| Government Bonds | 1,190,312 | 20,309 | 741,719 | 394,942 | 33,342 |
| Government Mortgage-Backed Securities | 2 | - | - | 1 | 1 |
| Non-Government Backed Collateralized Mortgage Obligations | 6,871 | - | 601 | - | 6,270 |
| Options | (1) | (1) | - | - | - |
| Short-Term Investment Funds | 553,249 | 553,249 | - | - | - |
| Swaps | 5,128 | 1,295 | 2,484 | 576 | 773 |
| Total | $ 2,611,069 | $ 621,302 | $ 970,164 | $ 648,513 | $ 371,090 |

***Credit Risk***

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.





The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2020. Investments issued or explicitly guaranteed by the U.S. government of $1.10 billion as of June 30, 2020, are exempt from credit rating disclosures and are excluded from the table below.

| Credit Rating | Fair Value | Fair Value as a Percentage of Total |
|---|---|---|
| AAA | $ 2,607 | 0.2% |
| AA | 3,824 | 0.3% |
| A | 36,283 | 2.4% |
| BBB | 75,990 | 5.0% |
| BB | 102,632 | 6.8% |
| B | 155,557 | 10.3% |
| CCC | 43,517 | 2.9% |
| CC | 1,798 | 0.1% |
| D | 4,949 | 0.3% |
| Not Rated | 1,089,713 | 71.7% |
| Total | $ 1,516,870 | 100.0% |

The securities listed as "Not Rated" include short-term investment funds, government mortgage-backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 8.3% for 2020.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2020, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2020, $114.7 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System and were held by the counterparty's trust department or agent but not in the Retirement System's name.

***Foreign Currency Risk***

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity, real assets, and private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

(Dollars in Thousands)

The Retirement System's net exposures to foreign currency risk as of June 30, 2020, are as follows:

| Currency | Cash | Equities | Fixed Income | Private Equities | Real Assets | Private Credit | Foreign Currency Contracts | Total |
|---|---|---|---|---|---|---|---|---|
| Argentina peso | $ - | $ - | $ 144 | $ - | $ - | $ - | $ - | $ 144 |
| Australian dollar | - | 10,171 | - | 3,294 | - | - | - | 13,465 |
| Brazil real | - | 8,455 | 5,113 | - | - | - | 5,666 | 19,234 |
| Canadian dollar | - | 15,500 | - | - | - | - | (4) | 15,496 |
| Chilean peso | - | - | 1,993 | - | - | - | 394 | 2,387 |
| Chinese yuan renminbi | 3,334 | 374,375 | 9,751 | - | - | - | 21 | 387,481 |
| Colombian peso | - | - | 13,035 | - | - | - | 497 | 13,532 |
| Czech koruna | - | - | 4,052 | - | - | - | 2,516 | 6,568 |
| Danish krone | - | 28,004 | - | - | - | - | - | 28,004 |
| Dominican rep peso | - | - | 2,357 | - | - | - | (2,151) | 206 |
| Euro | - | 329,417 | 35,046 | 82,714 | 350,035 | 51,530 | (38,620) | 810,122 |
| Hong Kong dollar | - | 103,612 | - | - | - | - | (2,070) | 101,542 |
| Hungarian forint | - | 2,753 | 10,131 | - | - | - | (5,014) | 7,870 |
| Indonesian rupiah | - | 471 | 12,158 | - | - | - | (128) | 12,501 |
| Israeli shekel | - | - | 277 | - | - | - | (334) | (57) |
| Japanese yen | - | 78,825 | - | - | 53,158 | - | 206 | 132,189 |
| Kazakhstan tenge | - | - | 239 | - | - | - | - | 239 |
| Malaysian ringgit | - | - | 7,656 | - | - | - | 1,223 | 8,879 |
| Mexican peso | - | 2,873 | 5,823 | - | - | - | 7,020 | 15,716 |
| New Taiwan dollar | - | 37,573 | - | - | - | - | - | 37,573 |
| New Zealand dollar | - | 449 | - | - | - | - | - | 449 |
| Norwegian krone | - | 2,113 | - | - | - | - | - | 2,113 |
| Peruvian sol | - | - | 10,807 | - | - | - | (6,488) | 4,319 |
| Philippines peso | - | 1,495 | 203 | - | - | - | 51 | 1,749 |
| Polish zloty | - | 2,622 | 11,369 | - | - | - | (1,255) | 12,736 |
| Pound sterling | - | 102,755 | 2,239 | 41,150 | 25,385 | - | (1,768) | 169,761 |
| Romanian leu | - | - | 2,249 | - | - | - | 1,501 | 3,750 |
| New Russian ruble | - | - | 12,915 | - | - | - | (1,620) | 11,295 |
| South African rand | - | 2,664 | 11,910 | - | - | - | (3,383) | 11,191 |
| South Korean won | - | 21,595 | - | - | - | - | - | 21,595 |
| Swedish krona | - | 13,920 | - | - | - | - | (197) | 13,723 |
| Swiss franc | - | 57,320 | - | - | - | - | (124) | 57,196 |
| Thailand baht | - | 872 | 5,278 | - | - | - | 7,372 | 13,522 |
| Turkish lira | - | - | 1,206 | - | - | - | 1,598 | 2,804 |
| Uruguayan peso | - | - | 104 | - | - | - | 259 | 363 |
| **Total** | $ 3,334 | $ 1,197,834 | $ 166,055 | $ 127,158 | $ 428,578 | $ 51,530 | $ (34,832) | $ 1,939,657 |





***Derivative Instruments***

As of June 30, 2020, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments or by an external pricing service using various proprietary methods.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2020:

| Derivative Type / Contracts | Notional Amount | Fair Value | Net Appreciation (Depreciation) in Fair Value |
|---|---|---|---|
| Forwards | | | |
| Foreign Exchange Contracts | $ 172,991 | $ (116) | $ (212) |
| Futures | | | |
| Currency Futures Long | - | - | (29) |
| Equity Index Futures Long | 55,315 | 1,620 | (1,453) |
| Equity Index Futures Short | - | - | 410 |
| Treasury Futures Long | 263,246 | 404 | 249 |
| Options | | | |
| Foreign Exchange Contracts | (1,600) | (1) | 14 |
| Swaps | | | |
| Credit Contracts | 11,280 | 247 | 60 |
| Currency Contracts | 7,669 | 580 | 617 |
| Equity Index Contracts | - | - | 31 |
| Interest Rate Contracts | 325,034 | 4,301 | 915 |
| Rights/Warrants | | | |
| Equity Contracts | 30,686 shares | 91,806 | 12,471 |
| Total | | $ 98,841 | $ 13,073 |

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights, warrants, and equity index futures are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

***Counterparty Credit Risk***

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The table below presents those investments being classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

| Credit Rating | Fair Value |
|---|---|
| AA | $ 2,500 |
| A | 403 |
| BBB | 2,109 |
| Total | $ 5,012 |

***Custodial Credit Risk***

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2020, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

***Interest Rate Risk***

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2020.

| | | Maturities | | | |
|---|---|---|---|---|---|
| **Derivative Type / Contracts** | **Fair Value** | **Less than 1 year** | **1-5 years** | **6-10 years** | **10+ years** |
| Forwards | | | | | |
| Foreign Exchange Contracts | $ (116) | $ (97) | $ (19) | $ - | $ - |
| Futures | | | | | |
| Treasury Futures Long | 404 | 404 | - | - | - |
| Options | | | | | |
| Foreign Exchange Contracts | (1) | (1) | - | - | - |
| Swaps | | | | | |
| Currency Contracts | 580 | 420 | 120 | 40 | - |
| Interest Rate Contracts | 4,301 | 893 | 2,099 | 536 | 773 |
| Total | $ 5,168 | $ 1,619 | $ 2,200 | $ 576 | $ 773 |



CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2020:

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Fixed 0.02%, Pay Variable 6-Month CLP | $ 1,629 | $ 9 |
| Interest Rate Swap | Receive Fixed 0.03%, Pay Variable 6-Month CLP | 11 | 1 |
| Interest Rate Swap | Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR | 628 | - |
| Interest Rate Swap | Receive Fixed 0.50%, Pay Variable 6-Month BUBOR | 156 | - |
| Interest Rate Swap | Receive Fixed 0.78%, Pay Variable 6-Month THB | 1,369 | (3) |
| Interest Rate Swap | Receive Fixed 0.79%, Pay Variable 6-Month BUBOR | 347 | 2 |
| Interest Rate Swap | Receive Fixed 0.94%, Pay Variable 6-Month THB | 123 | (2) |
| Interest Rate Swap | Receive Fixed 0.98%, Pay Variable 6-Month CLP | 12 | - |
| Interest Rate Swap | Receive Fixed 1.04%, Pay Variable 3-Month TELBOR | 3,178 | 110 |
| Interest Rate Swap | Receive Fixed 1.05%, Pay Variable 3-Month TELBOR | 2,918 | 97 |
| Interest Rate Swap | Receive Fixed 1.07%, Pay Variable 6-Month CLP | 84 | 1 |
| Interest Rate Swap | Receive Fixed 1.09%, Pay Variable 6-Month CLP | 3,419 | (12) |
| Interest Rate Swap | Receive Fixed 1.18%, Pay Variable 6-Month CLP | 46 | 1 |
| Interest Rate Swap | Receive Fixed 1.19%, Pay Variable 6-Month CLP | 128 | 2 |
| Interest Rate Swap | Receive Fixed 1.20%, Pay Variable 6-Month CLP | 13 | - |
| Interest Rate Swap | Receive Fixed 1.27%, Pay Variable 3-Month TELBOR | 982 | 65 |
| Interest Rate Swap | Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR | 717 | 54 |
| Interest Rate Swap | Receive Fixed 1.49%, Pay Variable 6-Month WIBOR | 303 | 17 |
| Interest Rate Swap | Receive Fixed 1.50%, Pay Variable 6-Month BUBOR | 394 | 12 |
| Interest Rate Swap | Receive Fixed 1.78%, Pay Variable 6-Month PRIBOR | 1,024 | 49 |
| Interest Rate Swap | Receive Fixed 1.81%, Pay Variable 3-Month TELBOR | 1,531 | 131 |
| Interest Rate Swap | Receive Fixed 1.83%, Pay Variable 6-Month THB | 712 | 40 |
| Interest Rate Swap | Receive Fixed 1.83%, Pay Variable 6-Month WIBOR | 126 | 3 |
| Interest Rate Swap | Receive Fixed 1.86%, Pay Variable 7-Day PBOC | 1,809 | 38 |
| Interest Rate Swap | Receive Fixed 1.90%, Pay Variable 3-Month TELBOR | 925 | 84 |
| Interest Rate Swap | Receive Fixed 1.92%, Pay Variable 6-Month THB | 142 | 7 |
| Interest Rate Swap | Receive Fixed 1.93%, Pay Variable 6-Month THB | 442 | 8 |
| Interest Rate Swap | Receive Fixed 1.94%, Pay Variable 6-Month THB | 485 | 23 |
| Interest Rate Swap | Receive Fixed 1.94%, Pay Variable 6-Month WIBOR | 3,666 | 197 |
| Interest Rate Swap | Receive Fixed 1.95%, Pay Variable 6-Month THB | 191 | 15 |
| Interest Rate Swap | Receive Fixed 2.00%, Pay Variable 6-Month PRIBOR | 1,336 | 100 |
| Interest Rate Swap | Receive Fixed 2.00%, Pay Variable 6-Month WIBOR | 607 | 1 |
| Interest Rate Swap | Receive Fixed 2.01%, Pay Variable 6-Month THB | 1,155 | 46 |
| Interest Rate Swap | Receive Fixed 2.02%, Pay Variable 6-Month THB | 647 | 1 |
| Interest Rate Swap | Receive Fixed 2.04%, Pay Variable 6-Month THB | 511 | 24 |
| Interest Rate Swap | Receive Fixed 2.08%, Pay Variable 6-Month CLP | 122 | - |
| Interest Rate Swap | Receive Fixed 2.11%, Pay Variable 6-Month CLP | 43 | - |
| Interest Rate Swap | Receive Fixed 2.12%, Pay Variable 6-Month THB | 1,129 | 28 |
| Interest Rate Swap | Receive Fixed 2.18%, Pay Variable 6-Month THB | 81 | 8 |
| Interest Rate Swap | Receive Fixed 2.19%, Pay Variable 6-Month THB | 831 | 62 |

(Dollars in Thousands)

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Fixed 2.22%, Pay Variable 6-Month THB | 453 | 3 |
| Interest Rate Swap | Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR | 3,912 | 138 |
| Interest Rate Swap | Receive Fixed 2.26%, Pay Variable 3-Month PRIBOR | 6,644 | 38 |
| Interest Rate Swap | Receive Fixed 2.38%, Pay Variable 7-Day PBOC | 198 | - |
| Interest Rate Swap | Receive Fixed 2.39%, Pay Variable 6-Month CLP | 853 | 52 |
| Interest Rate Swap | Receive Fixed 2.39%, Pay Variable 6-Month THB | 620 | 70 |
| Interest Rate Swap | Receive Fixed 2.42%, Pay Variable 6-Month CLP | 77 | 5 |
| Interest Rate Swap | Receive Fixed 2.42%, Pay Variable 6-Month THB | 620 | 71 |
| Interest Rate Swap | Receive Fixed 2.44%, Pay Variable 7-Day PBOC | 325 | 2 |
| Interest Rate Swap | Receive Fixed 2.46%, Pay Variable 7-Day PBOC | 862 | 5 |
| Interest Rate Swap | Receive Fixed 2.49%, Pay Variable 7-Day PBOC | 42 | - |
| Interest Rate Swap | Receive Fixed 2.51%, Pay Variable 6-Month CLP | 1,265 | 85 |
| Interest Rate Swap | Receive Fixed 2.51%, Pay Variable 6-Month THB | 353 | 28 |
| Interest Rate Swap | Receive Fixed 2.55%, Pay Variable 6-Month CLP | 341 | 23 |
| Interest Rate Swap | Receive Fixed 2.56%, Pay Variable 6-Month THB | 757 | 80 |
| Interest Rate Swap | Receive Fixed 2.58%, Pay Variable 6-Month THB | 424 | 36 |
| Interest Rate Swap | Receive Fixed 2.63%, Pay Variable 6-Month THB | 709 | 65 |
| Interest Rate Swap | Receive Fixed 2.64%, Pay Variable 6-Month CLP | 380 | 22 |
| Interest Rate Swap | Receive Fixed 2.68%, Pay Variable 6-Month CLP | 609 | 46 |
| Interest Rate Swap | Receive Fixed 2.78%, Pay Variable 6-Month CLP | 329 | 26 |
| Interest Rate Swap | Receive Fixed 2.78%, Pay Variable 6-Month THB | 30 | 3 |
| Interest Rate Swap | Receive Fixed 2.81%, Pay Variable 6-Month THB | 596 | 62 |
| Interest Rate Swap | Receive Fixed 2.88%, Pay Variable 7-Day PBOC | 1,696 | 39 |
| Interest Rate Swap | Receive Fixed 2.97%, Pay Variable 7-Day PBOC | 1,202 | 11 |
| Interest Rate Swap | Receive Fixed 3.12%, Pay Variable 6-Month CLP | 111 | 11 |
| Interest Rate Swap | Receive Fixed 3.27%, Pay Variable 6-Month CLP | 554 | 40 |
| Interest Rate Swap | Receive Fixed 3.34%, Pay Variable 3-Month KLIBOR | 233 | 13 |
| Interest Rate Swap | Receive Fixed 3.54%, Pay Variable 6-Month CLP | 604 | 43 |
| Interest Rate Swap | Receive Fixed 3.76%, Pay Variable 6-Month CLP | 1,507 | 232 |
| Interest Rate Swap | Receive Fixed 3.77%, Pay Variable 6-Month CLP | 1,490 | 202 |
| Interest Rate Swap | Receive Fixed 4.26%, Pay Variable 1-Day COOVIBR | 660 | 26 |
| Interest Rate Swap | Receive Fixed 4.50%, Pay Variable 1-Day BIDOR | 6,429 | 164 |
| Interest Rate Swap | Receive Fixed 4.58%, Pay Variable 1-Day COOVIBR | 518 | 34 |
| Interest Rate Swap | Receive Fixed 4.61%, Pay Variable 1-Day COOVIBR | 561 | 38 |
| Interest Rate Swap | Receive Fixed 4.70%, Pay Variable 28-Day MXIBR | 1,099 | 1 |
| Interest Rate Swap | Receive Fixed 4.72%, Pay Variable 28-Day MXIBR | 840 | 1 |
| Interest Rate Swap | Receive Fixed 4.87%, Pay Variable 28-Day MXIBR | 1,268 | 9 |
| Interest Rate Swap | Receive Fixed 5.00%, Pay Variable 1-Day BIDOR | 2,750 | 61 |
| Interest Rate Swap | Receive Fixed 5.08%, Pay Variable 28-Day MXIBR | 130 | 1 |
| Interest Rate Swap | Receive Fixed 5.12%, Pay Variable 1-Day COOVIBR | 426 | 18 |
| Interest Rate Swap | Receive Fixed 5.17%, Pay Variable 1-Day COOVIBR | 2,723 | 239 |
| Interest Rate Swap | Receive Fixed 5.25%, Pay Variable 1-Day BIDOR | 3,788 | 122 |
| Interest Rate Swap | Receive Fixed 5.60%, Pay Variable 1-Day COOVIBR | 1,159 | 81 |
| Interest Rate Swap | Receive Fixed 5.61%, Pay Variable 1-Day COOVIBR | 116 | 13 |
| Interest Rate Swap | Receive Fixed 5.63%, Pay Variable 28-Day MXIBR | 134 | 2 |
| Interest Rate Swap | Receive Fixed 5.75%, Pay Variable 1-Day BIDOR | 1,166 | 55 |





| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Fixed 5.78%, Pay Variable 1-Day BIDOR | 219 | 10 |
| Interest Rate Swap | Receive Fixed 5.86%, Pay Variable 28-Day MXIBR | 1,324 | 48 |
| Interest Rate Swap | Receive Fixed 5.87%, Pay Variable 28-Day MXIBR | 1,333 | 22 |
| Interest Rate Swap | Receive Fixed 5.88%, Pay Variable 1-Day COOVIBR | 832 | 104 |
| Interest Rate Swap | Receive Fixed 5.92%, Pay Variable 1-Day BIDOR | 1,202 | 63 |
| Interest Rate Swap | Receive Fixed 6.01%, Pay Variable 1-Day BIDOR | 255 | 6 |
| Interest Rate Swap | Receive Fixed 6.12%, Pay Variable 1-Day COOVIBR | 87 | 11 |
| Interest Rate Swap | Receive Fixed 6.20%, Pay Variable 1-Day COOVIBR | 80 | 10 |
| Interest Rate Swap | Receive Fixed 6.23%, Pay Variable 1-Day BIDOR | 2,586 | 161 |
| Interest Rate Swap | Receive Fixed 6.26%, Pay Variable 1-Day BIDOR | 911 | 55 |
| Interest Rate Swap | Receive Fixed 6.41%, Pay Variable 1-Day COOVIBR | 447 | 76 |
| Interest Rate Swap | Receive Fixed 6.42%, Pay Variable 28-Day MXIBR | 342 | 24 |
| Interest Rate Swap | Receive Fixed 6.43%, Pay Variable 1-Day COOVIBR | 25 | (4) |
| Interest Rate Swap | Receive Fixed 6.51%, Pay Variable 28-Day MXIBR | 844 | 62 |
| Interest Rate Swap | Receive Fixed 6.52%, Pay Variable 1-Day BIDOR | 656 | 12 |
| Interest Rate Swap | Receive Fixed 6.60%, Pay Variable 28-Day MXIBR | 2,666 | 205 |
| Interest Rate Swap | Receive Fixed 6.62%, Pay Variable 28-Day MXIBR | 969 | 75 |
| Interest Rate Swap | Receive Fixed 6.64%, Pay Variable 28-Day MXIBR | 1,809 | (142) |
| Interest Rate Swap | Receive Fixed 6.68%, Pay Variable 1-Day BIDOR | 2,131 | 157 |
| Interest Rate Swap | Receive Fixed 6.71%, Pay Variable 28-Day MXIBR | 567 | 49 |
| Interest Rate Swap | Receive Fixed 6.80%, Pay Variable 28-Day MXIBR | 104 | 8 |
| Interest Rate Swap | Receive Fixed 6.89%, Pay Variable 1-Day BIDOR | 2,113 | 94 |
| Interest Rate Swap | Receive Fixed 6.99%, Pay Variable 1-Day BIDOR | 892 | 37 |
| Interest Rate Swap | Receive Fixed 7.05%, Pay Variable 1-Day BIDOR | 1,457 | 69 |
| Interest Rate Swap | Receive Fixed 7.10%, Pay Variable 1-Day BIDOR | 2,040 | 99 |
| Interest Rate Swap | Receive Fixed 7.12%, Pay Variable 1-Day BIDOR | 728 | 34 |
| Interest Rate Swap | Receive Fixed 7.13%, Pay Variable 28-Day MXIBR | 528 | 53 |
| Interest Rate Swap | Receive Fixed 7.18%, Pay Variable 1-Day BIDOR | 1,257 | 64 |
| Interest Rate Swap | Receive Fixed 7.19%, Pay Variable 1-Day BIDOR | 492 | 25 |
| Interest Rate Swap | Receive Fixed 7.22%, Pay Variable 1-Day BIDOR | 965 | 49 |
| Interest Rate Swap | Receive Fixed 7.25%, Pay Variable 3-Month JIBAR | 426 | 39 |
| Interest Rate Swap | Receive Fixed 7.31%, Pay Variable 1-Day BIDOR | 455 | 25 |
| Interest Rate Swap | Receive Fixed 7.38%, Pay Variable 28-Day MXIBR | 684 | 87 |
| Interest Rate Swap | Receive Fixed 7.42%, Pay Variable 1-Day BIDOR | 1,949 | 167 |
| Interest Rate Swap | Receive Fixed 7.48%, Pay Variable 1-Day BIDOR | 1,439 | 123 |
| Interest Rate Swap | Receive Fixed 7.63%, Pay Variable 28-Day MXIBR | 294 | 47 |
| Interest Rate Swap | Receive Fixed 7.64%, Pay Variable 28-Day MXIBR | 307 | 50 |
| Interest Rate Swap | Receive Fixed 7.65%, Pay Variable 28-Day MXIBR | 2,480 | 201 |
| Interest Rate Swap | Receive Fixed 7.68%, Pay Variable 28-Day MXIBR | 169 | 27 |
| Interest Rate Swap | Receive Fixed 7.80%, Pay Variable 1-Day BIDOR | 255 | 20 |
| Interest Rate Swap | Receive Fixed 7.83%, Pay Variable 1-Day BIDOR | 2,604 | 167 |
| Interest Rate Swap | Receive Fixed 7.88%, Pay Variable 28-Day MXIBR | 74 | 6 |
| Interest Rate Swap | Receive Fixed 7.89%, Pay Variable 28-Day MXIBR | 1,082 | 207 |
| Interest Rate Swap | Receive Fixed 7.92%, Pay Variable 28-Day MXIBR | 1,714 | 188 |
| Interest Rate Swap | Receive Fixed 7.98%, Pay Variable 28-Day MXIBR | 2,294 | 396 |

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Fixed 7.99%, Pay Variable 28-Day MXIBR | 320 | 56 |
| Interest Rate Swap | Receive Fixed 8.04%, Pay Variable 28-Day MXIBR | 1,770 | 369 |
| Interest Rate Swap | Receive Fixed 8.06%, Pay Variable 28-Day MXIBR | 4,544 | (2) |
| Interest Rate Swap | Receive Fixed 8.28%, Pay Variable 28-Day MXIBR | 169 | 40 |
| Interest Rate Swap | Receive Fixed 8.31%, Pay Variable 28-Day MXIBR | 69 | 16 |
| Interest Rate Swap | Receive Fixed 8.32%, Pay Variable 28-Day MXIBR | 351 | 78 |
| Interest Rate Swap | Receive Fixed 8.39%, Pay Variable 28-Day MXIBR | 294 | 62 |
| Interest Rate Swap | Receive Fixed 8.64%, Pay Variable 1-Day BIDOR | 109 | 13 |
| Interest Rate Swap | Receive Fixed 8.82%, Pay Variable 28-Day MXIBR | 3,726 | 505 |
| Interest Rate Swap | Receive Fixed 8.98%, Pay Variable 28-Day MXIBR | 433 | 61 |
| Interest Rate Swap | Receive Fixed 9.65%, Pay Variable 1-Day BIDOR | 437 | 84 |
| Interest Rate Swap | Receive Fixed 9.76%, Pay Variable 1-Day BIDOR | 18 | 4 |
| Interest Rate Swap | Receive Fixed 10.30%, Pay Variable 1-Day BIDOR | 364 | 78 |
| Interest Rate Swap | Receive Fixed 10.33%, Pay Variable 1-Day BIDOR | 1,512 | 331 |
| Interest Rate Swap | Receive Fixed 11.33%, Pay Variable 1-Day BIDOR | 1,111 | 285 |
| Interest Rate Swap | Receive Fixed 12.06%, Pay Variable 1-Day BIDOR | 508 | 86 |
| Interest Rate Swap | Receive Fixed 12.20%, Pay Variable 1-Day BIDOR | 945 | 175 |
| Interest Rate Swap | Receive Fixed 12.29%, Pay Variable 1-Day BIDOR | 127 | 36 |
| Interest Rate Swap | Receive Fixed 16.40%, Pay Variable 1-Day BIDOR | 2,185 | 690 |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 2.15% | 21,236 | - |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 2.64% | 31,289 | (1) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 3.99% | 2,058 | (35) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 4.00% | 9,489 | (164) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 4.50% | 3,715 | (57) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 4.80% | 1,166 | (36) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 4.99% | 127 | (4) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 5.44% | 1,111 | (45) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 5.65% | 401 | (19) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.25% | 200 | - |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.34% | 237 | (15) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.50% | 674 | (4) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.55% | 710 | (12) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.71% | 200 | (11) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.81% | 2,349 | (139) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.93% | 1,821 | (82) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.95% | 219 | (9) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 6.98% | 2,623 | (124) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 7.17% | 1,111 | (56) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 7.26% | 1,894 | (96) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 7.29% | 3,023 | (155) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 8.79% | 838 | (73) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 9.60% | 747 | (130) |
| Interest Rate Swap | Receive Variable 1-Day BIDOR, Pay Fixed 11.35% | 856 | (146) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 1.20% | 2,729 | (183) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 2.72% | 6,680 | (61) |



**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**
June 30, 2020
(Dollars in Thousands)

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 4.16% | 951 | (37) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 4.35% | 475 | (26) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 4.45% | 327 | (19) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 4.49% | 88 | (6) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 4.88% | 1,715 | (132) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 5.19% | 669 | (50) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 5.28% | 371 | 28 |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 6.39% | 346 | (58) |
| Interest Rate Swap | Receive Variable 1-Day COOVIBR, Pay Fixed 6.42% | 56 | (8) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.38% | 329 | (2) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.43% | 251 | (3) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.48% | 437 | (8) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.52% | 653 | (46) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.54% | 649 | (17) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.55% | 221 | (6) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.60% | 286 | (22) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.62% | 831 | (65) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.65% | 3,237 | (87) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.77% | 303 | (9) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.83% | 558 | (53) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.85% | 381 | (37) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.86% | 744 | (67) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 6.87% | 550 | (1) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 7.07% | 299 | (27) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 7.18% | 974 | (103) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 7.72% | 4,328 | (367) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 7.73% | 662 | (56) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 8.11% | 1,069 | (203) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 9.09% | 961 | (246) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 9.10% | 2,259 | (579) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 9.21% | 368 | (97) |
| Interest Rate Swap | Receive Variable 28-Day MXIBR, Pay Fixed 9.33% | 260 | (71) |
| Interest Rate Swap | Receive Variable 3-Month JIBAR, Pay Fixed 7.46% | 299 | (12) |
| Interest Rate Swap | Receive Variable 3-Month JIBAR, Pay Fixed 7.49% | 299 | (13) |
| Interest Rate Swap | Receive Variable 3-Month JIBAR, Pay Fixed 7.75% | 535 | (45) |
| Interest Rate Swap | Receive Variable 3-Month KLIBOR, Pay Fixed 3.74% | 560 | (21) |
| Interest Rate Swap | Receive Variable 3-Month KLIBOR, Pay Fixed 3.75% | 887 | (33) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.48% | 1,011 | (13) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.49% | 982 | (13) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.51% | 1,300 | (19) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.70% | 982 | (21) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.80% | 2,514 | (73) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.95% | 1,127 | (35) |
| Interest Rate Swap | Receive Variable 3-Month TELBOR, Pay Fixed 0.96% | 1,098 | (35) |
| Interest Rate Swap | Receive Variable 3-Month WIBOR, Pay Fixed 1.71% | 6,699 | (28) |

| Investment Type | Reference Rate | Notional Value | Fair Value |
|---|---|---|---|
| Interest Rate Swap | Receive Variable 6-Month BUBOR, Pay Fixed 0.98% | 2,112 | (25) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 0.02% | 1,845 | (46) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 0.03% | 396 | (19) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.34% | 763 | (14) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.81% | 1,989 | (67) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.84% | 1 | - |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.88% | 1,570 | (35) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.94% | 2,511 | (9) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 1.95% | 316 | (10) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 2.26% | 318 | (23) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 2.27% | 325 | (24) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 2.32% | 464 | (25) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 2.34% | 490 | (27) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 2.59% | 799 | (56) |
| Interest Rate Swap | Receive Variable 6-Month CLP, Pay Fixed 3.22% | 693 | (77) |
| Interest Rate Swap | Receive Variable 6-Month PRIBOR, Pay Fixed 0.77% | 843 | (10) |
| Interest Rate Swap | Receive Variable 6-Month PRIBOR, Pay Fixed 0.85% | 1,387 | (22) |
| Interest Rate Swap | Receive Variable 6-Month PRIBOR, Pay Fixed 0.93% | 548 | (12) |
| Interest Rate Swap | Receive Variable 6-Month PRIBOR, Pay Fixed 2.47% | 1,391 | (99) |
| Interest Rate Swap | Receive Variable 6-Month THB, Pay Fixed 0.78% | 654 | 2 |
| Interest Rate Swap | Receive Variable 6-Month THB, Pay Fixed 0.96% | 230 | (2) |
| Interest Rate Swap | Receive Variable 6-Month THB, Pay Fixed 1.12% | 421 | (1) |
| Interest Rate Swap | Receive Variable 6-Month THB, Pay Fixed 1.28% | 2,168 | (44) |
| Interest Rate Swap | Receive Variable 6-Month THB, Pay Fixed 1.33% | 1,200 | (31) |
| Interest Rate Swap | Receive Variable 6-Month WIBOR, Pay Fixed 0.66% | 1,062 | (5) |
| Interest Rate Swap | Receive Variable 6-Month WIBOR, Pay Fixed 0.98% | 708 | (8) |
| Interest Rate Swap | Receive Variable 6-Month WIBOR, Pay Fixed 1.83% | 3,084 | (168) |
| Interest Rate Swap | Receive Variable 6-Month WIBOR, Pay Fixed 1.86% | 4,298 | (104) |
| Interest Rate Swap | Receive Variable 6-Month WIBOR, Pay Fixed 2.25% | 430 | (28) |
| Total Interest Rate Swaps | | $ 325,034 | $ 4,301 |



CITY AND COUNTY OF SAN FRANCISCO
**Notes to Basic Financial Statements (Continued)**
June 30, 2020
(Dollars in Thousands)

***Foreign Currency Risk***

At June 30, 2020, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2020:

| Currency | Forwards | Swaps | Total |
|---|---|---|---|
| Argentina peso | $ - | $ (282) | $ (282) |
| Brazil real | 5,666 | 2,206 | 7,872 |
| Canadian dollar | (4) | - | (4) |
| Chilean peso | 394 | 359 | 753 |
| Chinese yuan renminbi | 21 | 95 | 116 |
| Colombian peso | 497 | 93 | 590 |
| Czech koruna | 2,516 | 236 | 2,752 |
| Dominican rep peso | (2,151) | - | (2,151) |
| Euro | (38,620) | - | (38,620) |
| Hong Kong dollar | (2,070) | - | (2,070) |
| Hungarian forint | (5,014) | (11) | (5,025) |
| Indonesian rupiah | (128) | - | (128) |
| Israeli shekel | (334) | 277 | (57) |
| Japanese yen | 206 | - | 206 |
| Malaysian ringgit | 1,223 | (40) | 1,183 |
| Mexican peso | 7,020 | 641 | 7,661 |
| Peruvian sol | (6,488) | - | (6,488) |
| Philippines peso | 51 | - | 51 |
| Polish zloty | (1,255) | (123) | (1,378) |
| Pound sterling | (1,768) | - | (1,768) |
| Romanian leu | 1,501 | - | 1,501 |
| New Russian ruble | (1,620) | - | (1,620) |
| South African rand | (3,383) | (31) | (3,414) |
| Swedish krona | (197) | - | (197) |
| Swiss franc | (124) | - | (124) |
| Thailand baht | 7,372 | 597 | 7,969 |
| Turkish lira | 1,598 | (1,396) | 202 |
| Uruguayan peso | 259 | - | 259 |
| Total | $ (34,832) | $ 2,621 | $ (32,211) |

***Contingent Features***

At June 30, 2020, the Retirement System held no positions in derivatives containing contingent features.

***Securities Lending***

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

(Dollars in Thousands)

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2020, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2020, the Retirement System has lent $1.43 billion in securities and received collateral of $547.0 million and $969.6 million in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $547.0 million. The net unrealized gain of $18 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2020 are summarized in the following table.

| Investment Type | Fair Value of Loaned Securities | Cash Collateral | Fair Value of Non-Cash Collateral |
|---|---|---|---|
| **Securities on Loan for Cash Collateral** | | | |
| U.S. Corporate Fixed Income | $ 41,564 | $ 42,504 | $ - |
| U.S. Equities | 419,809 | 424,541 | - |
| U.S. Government Fixed Income | 66,421 | 67,882 | - |
| International Fixed Income | 2,057 | 2,298 | - |
| International Equities | 9,248 | 9,804 | - |
| **Securities on Loan for Non-Cash Collateral** | | | |
| U.S. Equities | 265,391 | - | 278,246 |
| U.S. Government Fixed Income | 542,456 | - | 592,478 |
| International Fixed Income | 1,087 | - | 1,135 |
| International Equities | 85,651 | - | 97,698 |
| | $ 1,433,684 | $ 547,029 | $ 969,557 |





The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2020.

| Investment Type | Fair Value | Maturity Less Than 1 Year |
|---|---|---|
| U.S. Agencies | $ 549 | $ 549 |
| Negotiable Certificates of Deposit | 124,267 | 124,267 |
| Commercial Paper | 122,720 | 122,720 |
| Fixed Rate Notes | 7,920 | 7,920 |
| Floating Rate Notes | 140,445 | 140,445 |
| Money Market Funds | 82,507 | 82,507 |
| Repurchase Agreements | 68,431 | 68,431 |
| Payable/Receivable | 208 | 208 |
| Total | $ 547,047 | $ 547,047 |

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2020 is as follows:

| Credit Rating | Fair Value | Fair Value as a Percentage of Total |
|---|---|---|
| A-1 | $ 251,059 | 46.0% |
| AAA | 82,507 | 15.1% |
| AA | 54,905 | 10.0% |
| A | 89,937 | 16.4% |
| Not Rated * | 68,639 | 12.5% |
| Total | $ 547,047 | 100.0% |

* This figure includes $68,431 in repurchase agreements.

***Investments in Real Assets***

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2020, are summarized as follows:

| | |
|---|---|
| Beginning of the year | $ 4,334,229 |
| Capital investments | 763,762 |
| Equity in net earnings | 54,982 |
| Net depreciation in fair value | (344,955) |
| Capital distributions | (967,591) |
| End of the year | $ 3,840,427 |

(Dollars in Thousands)

**(g) Retiree Health Care Trust Fund**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2020, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

| Investment Type | Weighted Average Maturity in Years |
|---|---|
| US Debt Index Fund | 8.0 |
| Government Bond Index Fund | 25.1 |
| Inflation Protected Debt Index Fund | 2.7 |
| Emerging Markets Debt Fund | 11.9 |
| Multi-Sector Debt Fund | 7.2 |
| City Investment Pool | 0.7 |
| Treasury Money Market Fund | 0.1 |

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, Government Bond Index Fund, Inflation Protected Debt Index Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City's investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2020, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that is equal or greater than 5% at the issuer level and likely very little, if any, overlap.

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2020, none of the RHCTF's investments





were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the custodial bank.

***Foreign Currency Risk***

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

***Rate of Return***

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**(6) PROPERTY TAXES**

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

(Dollars in Thousands)

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $334.9 million for the year ended June 30, 2020.

Taxable valuation for the year ended June 30, 2020, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $255.6 billion, an increase of 8.34%. The secured tax rate was $1.1801 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and $0.1801 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.83% and 2.99%, respectively, of the current year tax levy, for an average delinquency rate of 0.95% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2020, was $32.0 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.





## (7) CAPITAL ASSETS

### *Primary Government*

Capital asset activity of the primary government for the year ended June 30, 2020, was as follows:

| Governmental Activities: | Balance July 1, 2019 | Increases [1] | Decreases [1] | Balance June 30, 2020 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 519,234 | $ 154,113 | $ - | $ 673,347 |
| Intangible assets | 9,573 | 116 | - | 9,689 |
| Construction in progress | 684,859 | 474,395 | (378,421) | 780,833 |
| Total capital assets, not being depreciated | 1,213,666 | 628,624 | (378,421) | 1,463,869 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | 5,171,877 | 323,348 | - | 5,495,225 |
| Machinery and equipment | 571,866 | 35,715 | (1,005) | 606,576 |
| Infrastructure | 1,109,289 | 124,503 | - | 1,233,792 |
| Intangible assets | 109,288 | 32,922 | - | 142,210 |
| Total capital assets, being depreciated | 6,962,320 | 516,488 | (1,005) | 7,477,803 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | 1,321,759 | 123,341 | (270) | 1,444,830 |
| Machinery and equipment | 389,785 | 39,721 | (711) | 428,795 |
| Infrastructure | 285,959 | 49,185 | - | 335,144 |
| Intangible assets | 23,419 | 6,727 | - | 30,146 |
| Total accumulated depreciation | 2,020,922 | 218,974 | (981) | 2,238,915 |
| Total capital assets, being depreciated, net | 4,941,398 | 297,514 | (24) | 5,238,888 |
| Governmental activities capital assets, net | $ 6,155,064 | $ 926,138 | $ (378,445) | $ 6,702,757 |
| **Business-Type Activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 257,803 | $ 83,929 | $ (108) | $ 341,624 |
| Intangible assets | 12,043 | - | - | 12,043 |
| Construction in progress | 5,851,307 | 2,226,528 | (2,898,672) [2] | 5,179,163 |
| Total capital assets, not being depreciated | 6,121,153 | 2,310,457 | (2,898,780) | 5,532,830 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | 18,850,657 | 2,168,023 | (119,283) | 20,899,397 |
| Machinery and equipment | 3,453,057 | 560,643 | (133,291) | 3,880,409 |
| Infrastructure | 1,569,795 | 88,241 | - | 1,658,036 |
| Property held under lease | 697 | - | - | 697 |
| Intangible assets | 195,113 | 2,649 | (64,969) | 132,793 |
| Total capital assets, being depreciated | 24,069,319 | 2,819,556 | (317,543) | 26,571,332 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | 6,933,867 | 523,031 | (94,966) [3],[4] | 7,361,932 |
| Machinery and equipment | 1,697,932 | 234,059 | (130,066) | 1,801,925 |
| Infrastructure | 713,656 | 40,249 | - | 753,905 |
| Property held under lease | 697 | - | - | 697 |
| Intangible assets | 154,674 | 6,534 | (64,971) | 96,237 |
| Total accumulated depreciation | 9,500,826 | 803,873 | (290,003) | 10,014,696 |
| Total capital assets, being depreciated, net | 14,568,493 | 2,015,683 | (27,540) | 16,556,636 |
| Business-type activities capital assets, net | $ 20,689,646 | $ 4,326,140 | $ (2,926,320) | $ 22,089,466 |

[1] The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
[2] Includes $22,250 capital project write-offs from Wastewater, Water and Hetch Hetchy Water and Power.
[3] Includes $1,751 accumulated depreciation transfer from General City to SFMTA.
[4] Includes $207 accumulated depreciation transfer from General City to Wastewater Enterprise.

(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---|
| Governmental Activities: | |
| Public protection | $ 25,826 |
| Public works, transportation and commerce | 54,480 |
| Human welfare and neighborhood development | 880 |
| Community Health | 38,575 |
| Culture and recreation | 57,596 |
| General administration and finance | 38,022 |
| Capital assets held by the City's internal service funds charged to the various functions on a prorated basis | 3,595 |
| Total depreciation expense - governmental activities | $ 218,974 |
| Business-type activities: | |
| Airport | $ 312,118 |
| Water | 142,228 |
| Power | 20,999 |
| Transportation | 205,112 |
| Hospitals | 34,070 |
| Wastewater | 62,967 |
| Port | 26,379 |
| Total depreciation expense - business-type activities | $ 803,873 |

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $5.06 billion as of June 30, 2020. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2020. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2020.

During the year ended June 30, 2020, the City's enterprise funds incurred total interest expense and interest income of approximately $680.2 million and $151.3 million, respectively. Of these amounts, net interest expense of approximately $125.2 million was capitalized. The Airport had write-offs and loss on disposal in the amount of $25.5 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $5.3 million, $12.3 million, and $4.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.





***Component Unit***

Capital asset activity of the component unit for the year ended June 30, 2020 was as follows:

| Treasure Island Development Authority: | July 1, 2019 | Increases | Decreases | June 30, 2020 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 34,344 | $ - | $ - | $ 34,344 |
| Construction in progress | 502 | - | - | 502 |
| Total capital assets, not being depreciated | 34,846 | - | - | 34,846 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | - | 4,615 | - | 4,615 |
| Machinery and equipment | 36 | - | - | 36 |
| Total capital assets, being depreciated | 36 | 4,615 | - | 4,651 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | - | 315 | - | 315 |
| Machinery and equipment | 24 | 5 | - | 29 |
| Total accumulated depreciation | 24 | 320 | - | 344 |
| Total capital assets, being depreciated, net | 12 | 4,295 | - | 4,307 |
| Component unit capital asssets, net | $ 34,858 | $ 4,295 | $ - | $ 39,153 |

During the year ended June 30, 2020, TIDA recorded facility improvements from the San Francisco County Transportation Authority as part of the Yerba Buena Island East Side Ramps Project. For the overall Treasure Island Development Project, construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

## (8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2020, are as follows:

| Type of Obligation | July 1, 2019 | Additional Obligation | Current Maturities | June 30, 2020 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Commercial paper | | | | |
| Multiple Capital Projects | $ 14,779 | $ 750,678 | $ (657,267) | $ 108,190 |
| Direct placement revolving certificates of participation | | | | |
| Transbay Transit Center Project | 78,000 | - | (78,000) | - |
| Governmental activities short-term obligations | $ 92,779 | $ 750,678 | $ (735,267) | $ 108,190 |
| Business-type activities: | | | | |
| Commercial paper | | | | |
| San Francisco General Hospital | $ 15,475 | $ 196 | $ (3,878) | $ 11,793 |
| San Francisco International Airport | 3,575 | 49,375 | (49,760) | 3,190 |
| San Francisco Water Enterprise | 161,336 | 362,354 | (161,336) | 362,354 |
| Hetch Hetchy Water and Power | 50,724 | 63,535 | (50,724) | 63,535 |
| San Francisco Wastewater Enterprise | 291,498 | 207,939 | (291,498) | 207,939 |
| Business-type activities short-term obligations | $ 522,608 | $ 683,399 | $ (557,196) | $ 648,811 |

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a $150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from $150.0 million to $250.0 million. The City currently has revolving credit agreements (RCA) and letters of credit (LOC) supporting the $250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 30 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility that are divided into subseries according to tax status. The City's CP program has three credit facilities, two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A., which supports the issuance of Commercial Paper Certificates of Participation Series 1&2 (Series 1&2), and a Letter of Credit Agreement (LOC) issued by State Street Bank, which supports the issuance of Commercial Paper Certificates of Participation Series 3 (Series 3). The Series 1&2 State Street and U.S. Bank N.A. RCAs have fees of 0.45% and 0.45% on the total commitment amounts, respectively, and are scheduled to expire in May 2021. In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank, supporting Series 3, in the maximum principal amount not to exceed $100.0 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at least Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extended the terms of the agreement to February 2022.

In fiscal year 2020, the City issued $750.7 million and retired $657.3 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building; the acquisition of and improvement to real property for the Hall of Justice relocation project, and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2020, the outstanding principal of taxable and tax-exempt CP of governmental activities was $97.4 million and $10.8 million, respectively, with interest rates of 0.30% and 0.24%, respectively as of June 30, 2020.

Events of default, under the Letter of Credit and Reimbursement Agreement, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; failure to make payment on any other Material Debt; City files for bankruptcy; City is downgraded below investment grade; City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective RCA supporting the CP notes are amortized up to a five-year period.





Transbay Transit Center Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Salesforce Transit Center (formerly called the Transbay Transit Center). In order to address a temporary cash flow shortfall during the phase one construction of the Transbay Transit Center, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed $260.0 million. Of the $260.0 million financing, in partnership with the MTC, the City entered into a Certificate Purchase Agreement (CPA) with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed $100.0 million, which was never drawn and expired December 31, 2018. The City also entered into a CPA with Wells Fargo to establish a credit facility in an amount not to exceed $160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. The floating interest rate for the facility resets monthly. Under the CPA with Wells Fargo, the City has issued short-term variable rate notes at times and in amounts necessary to meet construction funding needs for phase one of the project. The short-term notes are expected to be repaid from long-term debt payable from Community Facilities District special taxes and/or tax increment. Pursuant to the sublease between the City and US Bank as Trustee, the City leases back the leased property from Trustee. The City makes annual base rental payments to the Trustee in amounts required to pay debt service on the Certificates. The City drew a total of $103.0 million from the Wells Fargo credit facility. In January 2020 and May 2020, the City paid off the short-term debt of $2.0 million and $76.0 million, respectively with funds received from the Community Facilities District No. 2014-1, such that the balance outstanding as of June 30, 2020 is $0.

Events of default under the sublease include the failure by the City to pay Base Rental payments under the Sublease when due and the failure to observe covenants under the Sublease. Remedies by the lender, consist of the right to sue for payments as and when payments become due. There is no right to evict or relet premises and no recourse to TJPA or Pledged Revenues.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed $41.0 million to finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 30, 2020, the outstanding principal amount of CP (tax-exempt) was $11.8 million with an interest rate of 0.24%. The Commercial Paper Certificates are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's General Fund resources.

Events of default, under the Letter of Credit and Reimbursement Agreement, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which was an agreement by which the City is obligated to make annual rental payments to the trustee by leasing back City-owned property to the trustee; failure make payment on any other Material Debt; City files for bankruptcy; City is downgraded below investment grade; City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence of an Event of Default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized up to a five-year period.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the Note Resolution), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $500.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airport's Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

As of June 30, 2020, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of $500.0 million from Royal Bank of Canada, acting through its New York branch ($25.0 million, expires August 28, 2020), Bank of America, N.A. ($75.0 million, expires May 26, 2021), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires June 21, 2022), Barclays Bank PLC ($100.0 million, expires April 28, 2023), U.S. Bank National Association ($100.0 million, expires November 15, 2023), and State Street Bank and Trust Company ($100.0 million, expires May 2, 2024). Each letter of credit supports separate subseries of CP. In aggregate, the letters of credit permitted the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2020.

As of June 30, 2020, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2020, the Airport issued new money CP notes in the aggregate principal amount of $30.6 million (Taxable), $4.7 million (AMT), and $14.1 million (Non-AMT) to fund capital improvement projects and costs of issuance related to the debt program. As of June 30, 2020, the interest rates on the outstanding CP (Non-AMT) ranged from 0.86% to 5.00%.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the letters of credit supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting $100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the





CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2020, the amount outstanding under Proposition E was $362.4 million. CP interest rates ranged from 0.2% to 2.8%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had $137.6 million in unused authorization as of June 30, 2020.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2020, there were no such events described therein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 0.2% to 4.0% in fiscal year 2020. Hetch Hetchy Water and Power had $63.5 million CP outstanding and $186.5 million in unused authorization as of June 30, 2020.

Events of default as specified in the Reimbursement Agreements include non-payment; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2020, there were no such events described therein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had $207.9 million CP outstanding and $542.1 million in unused authorization as of June 30, 2020.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment defaults, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2020, there were no such events described therein.

(Dollars in Thousands)

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed $100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) for a term of five years and interest rate not to exceed 12% per annum. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. If needed, OPF initiates the issuance of CP with the dealers and ensures accurate reporting on the CP program. The CP could be issued from time to time on a revolving basis to pay for Board-approved project costs in the SFMTA Capital Improvement Program and other related uses. In consultation with OPF, SFMTA could request drawdowns based on cash flow needs and expenditures schedules.

Events of default under the LOC reimbursement agreement, include failure to pay the principal or interest on the bank note, any representation made by the SFMTA in the agreement has been incorrect in any materially adverse respect when made, failure to comply with certain covenants, either SFMTA or the City files for bankruptcy, default on any debt or judgment payment of a specified threshold, or reduction of debt rating assigned to senior lien revenue bonds below “Baa1” by Moody’s or “BBB+” by S&P or Fitch. In an event of default, the bank may declare the principal and interest on all outstanding obligations to be due and payable immediately, terminate issuance of CP, or require the final drawing on the LOC in the amount equal to the principal amount outstanding plus interest.

In August 2020, SFMTA requested termination of irrevocable letter of credit in accordance with the terms of the reimbursement agreement.

SFMTA has no CP outstanding as of June 30, 2020.





**Long-Term Obligations**

The following is a summary of long-term obligations of the City as of June 30, 2020:

GOVERNMENTAL ACTIVITIES

| Type Of Obligation and Purpose | Final Maturity Date | Remaining Interest Rates | Amount |
|---|---|---|---|
| GENERAL OBLIGATION BONDS [a]: | | | |
| Affordable housing | 2039 | 1.55% - 3.95% | $ 169,475 |
| Earthquake safety and emergency response | 2038 | 2.25% - 5.00% | 372,860 |
| Embarcadero seawall earthquake safety | 2021 | 0.75% - 0.75% | 9,475 |
| Clean and safe neighborhood parks | 2037 | 2.00% - 6.26% | 141,950 |
| Preservation and seismic safety (PASS) program | 2058 | 2.546% - 4.321% | 71,525 |
| Public health and safety | 2038 | 3.00% - 5.00% | 147,370 |
| Road repaving and street safety | 2035 | 2.25% - 5.00% | 101,990 |
| San Francisco General Hospital | 2033 | 3.25% - 6.26% | 445,740 |
| Seismic safety loan program | 2031 | 3.36% - 5.83% | 17,152 |
| Transportation and road improvement | 2037 | 2.75% - 5.00% | 138,100 |
| Refunding | 2035 | 4.00% - 5.00% | 536,840 |
| General obligation bonds | | | 2,152,477 |
| LEASE REVENUE BONDS: | | | |
| San Francisco Finance Corporation [(b), (e) & (f)] | 2030 | 0.08% - 5.00% * | 121,275 |
| SALES TAX REVENUE BONDS | | | |
| SFCTA revenue bonds [(g)] | 2034 | 3.0% - 4.0% | 235,330 |
| CERTIFICATES OF PARTICIPATION: | | | |
| Certificates of participation [(c) & (d)] | 2050 | 2.125% - 5.00% | 1,100,255 |
| OTHER LONG -TERM OBLIGATIONS: | | | |
| Loans [(d), (f) & (g)] | 2045 | 4.5% - 4.5% | 21,385 |
| Lease Purchase - Public Safety Radio Replacement [(d)] | 2027 | 1.6991% | 22,855 |
| Capital Lease [(d)] | 2023 | 1.080% | 635 |
| Governmental activities total long-term obligations | | | $ 3,654,212 |

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2020 for Series 2008 -1 & 2 averaged to 0.08%.

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
(g) Sales tax revenues by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

| Entity and Type of Obligation | Final Maturity Date | Remaining Interest Rates | Amount |
|---|---|---|---|
| San Francisco International Airport: | | | |
| Revenue bonds * | 2058 | 0.98% - 5.50%* | $ 7,951,185 |
| San Francisco Water Enterprise: | | | |
| Revenue bonds | 2051 | 0.87% - 6.95% | 4,383,515 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 101,417 |
| State Revolving fund loans | 2051 | 1.00% | 73,271 |
| Hetch Hetchy Water and Power: | | | |
| Energy and revenue bonds | 2046 | 4.00% - 5.00% | 46,174 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 13,807 |
| Municipal Transportation Agency: | | | |
| Revenue bonds | 2047 | 3.00% - 5.00% | 323,075 |
| Loans | 2047 | 3.30% | 12,124 |
| San Francisco General Hospital: | | | |
| Certificates of participation | 2026 | 5.55% | 10,952 |
| San Francisco Wastewater Enterprise: | | | |
| Revenue bonds | 2047 | 1.00% - 5.82% | 1,488,300 |
| Certificates of participation | 2042 | 2.00% - 6.49% | 26,816 |
| State Revolving fund loans | 2051 | 1.60% - 1.80% | 88,549 |
| Port of San Francisco: | | | |
| Revenue bonds | 2044 | 1.62% - 5.0% | 43,600 |
| Certificates of participation | 2043 | 4.75% - 5.25% | 28,795 |
| Loans | 2037 | 4.50% | 7,568 |
| Laguna Honda Hospital: | | | |
| Certificates of participation | 2031 | 3.00% - 5.00% | 81,345 |
| Business-type activities total long-term obligations | | | $ 14,680,493 |

* Includes Second Series Revenue Bonds Issue 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2020, the average interest rates on Issue 2010A1,2,3 were 1.17%, 1.15% and 1.38%, respectively. For Issue 2018B and 2018C, the average interest rates were 0.98% and 1.01%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2020, the City's general obligation bond debt limit (3% of valuation subject to taxation) was $8.38 billion. The total amount of debt applicable to the debt limit was $2.35 billion. The resulting legal debt margin was $6.03 billion.





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 actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2020. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2020.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2020, the total obligation outstanding was $2.00 billion.

Community Facilities District No. 2014-1 (Transbay Transit Center)

The following is a summary of long-term obligations of the Community Facilities District No. 2014-1 as of June 30, 2020:

| Bonds | Remaining Interest Rates | Final Maturity Date | Amount |
|---|---|---|---|
| Special Tax Bonds Series 2017A | 2.00% - 4.00% | 2049 | $ 35,730 |
| Special Tax Bonds Series 2017B | 2.00% - 4.00% | 2049 | 169,695 |
| Special Tax Bonds Series 2019A | 2.782% - 4.25% | 2050 | 33,210 |
| Special Tax Bonds Series 2019B | 2.752% - 4.371% | 2050 | 155,210 |
| Special Tax Bonds Series 2020B | 1.309% - 3.572% | 2051 | 81,820 |
| Total obligations | | | $ 475,665 |

In May 2020, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the District), issued Special Tax Bonds, Series 2020B (the 2020 Bonds) in the par amount of $81.8 million, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2020 Bonds bear interest rates ranging from 1.309% to 3.572% with principal amortizing from September 2021 through September 2050.

The District's Special Tax Bonds are secured under the provisions of the CFD No. 2014-1 Fiscal Agent Agreement (the Agreement) and will be payable solely from Special Tax Revenues and funds pledged under the Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the District's Special Tax Bonds.

(Dollars in Thousands)

### Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2020, are as follows:

| | July 1, 2019 | Additional Obligations, and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2020 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | $ 2,293,488 | $ 340,750 | $ (481,761) | $ 2,152,477 | $ 146,635 |
| Lease revenue bonds | 127,045 | - | (5,770) | 121,275 | 12,145 |
| Sales tax revenue bonds | 248,250 | - | (12,920) | 235,330 | 13,310 |
| Certificates of participation | 885,295 | 274,875 | (59,915) | 1,100,255 | 34,335 |
| Subtotal | 3,554,078 | 615,625 | (560,366) | 3,609,337 | 206,425 |
| Issuance premiums / discounts: | | | | | |
| Add: unamortized premiums | 280,649 | 73,759 | (39,998) | 314,410 | - |
| Total bonds payable, net | 3,834,727 | 689,384 | (600,364) | 3,923,747 | 206,425 |
| Loans | 22,365 | - | (980) | 21,385 | 471 |
| Capital leases | 27,102 | - | (3,612) | 23,490 | 3,671 |
| Accrued vacation and sick leave pay | 169,969 | 134,555 | (106,762) | 197,762 | 108,833 |
| Accrued workers' compensation | 281,468 | 64,255 | (53,592) | 292,131 | 55,003 |
| Estimated claims payable | 234,385 | 23,919 | (64,167) | 194,137 | 71,454 |
| Governmental activities long-term obligations | $ 4,570,016 | $ 912,113 | $ (829,477) | $ 4,652,652 | $ 445,857 |

| | July 1, 2019 | Additional Obligations, and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2020 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | $ 13,637,380 | $ 1,869,910 | $ (1,317,615) | $ 14,189,675 | $ 357,220 |
| Clean renewable energy bonds | 48,702 | - | (2,528) | 46,174 | 2,115 |
| Certificates of participation | 300,822 | 89,395 | (127,085) | 263,132 | 12,769 |
| Subtotal | 13,986,904 | 1,959,305 | (1,447,228) | 14,498,981 | 372,104 |
| Issuance premiums / discounts: | | | | | |
| Add: unamortized premiums | 1,253,694 | 258,316 | (122,532) | 1,389,478 | - |
| Less: unamortized discounts | (628) | - | 219 | (409) | - |
| Total bonds payable, net | 15,239,970 | 2,217,621 | (1,569,541) | 15,888,050 | 372,104 |
| Accreted interest payable | 2,029 | 71 | (2,100) | - | - |
| Notes, loans, and other payables | 104,766 | 78,845 | (2,099) | 181,512 | 3,150 |
| Accrued vacation and sick leave pay | 115,012 | 71,089 | (50,874) | 135,227 | 75,598 |
| Accrued workers' compensation | 226,890 | 53,416 | (47,810) | 232,496 | 40,589 |
| Estimated claims payable | 109,116 | 53,514 | (18,093) | 144,537 | 78,970 |
| Business-type activities long-term obligations | $ 15,797,783 | $ 2,474,556 | $ (1,690,517) | $ 16,581,822 | $ 570,411 |

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers compensation and compensated absences are generally liquidated by the General Fund.





Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2020 for governmental and business-type activities are as follows:

**Governmental Activities (1)**

| Fiscal Year Ending June 30 | General Obligation Bonds Principal | General Obligation Bonds Interest (2) | Lease Revenue Bonds Principal | Lease Revenue Bonds Interest (3) | Other Long-Term Obligations Principal | Other Long-Term Obligations Interest | Total Principal | Total Interest |
|---|---|---|---|---|---|---|---|---|
| 2021 | $ 146,635 | $ 92,889 | $ 12,145 | $ 2,609 | $ 51,787 | $ 54,999 | $ 210,567 | $ 150,497 |
| 2022 | 145,228 | 85,205 | 12,790 | 2,324 | 51,507 | 52,942 | 209,525 | 140,471 |
| 2023 | 150,036 | 78,150 | 13,255 | 2,017 | 53,843 | 50,889 | 217,134 | 131,056 |
| 2024 | 153,691 | 70,814 | 14,455 | 1,697 | 56,197 | 48,751 | 224,343 | 121,262 |
| 2025 | 155,592 | 63,326 | 13,105 | 1,340 | 58,739 | 46,367 | 227,436 | 111,033 |
| 2026-2030 | 782,263 | 212,498 | 55,525 | 2,635 | 310,923 | 193,020 | 1,148,711 | 408,153 |
| 2031-2035 | 467,412 | 72,305 | - | - | 334,303 | 127,189 | 801,715 | 199,494 |
| 2036-2040 | 105,145 | 16,858 | - | - | 232,906 | 74,073 | 338,051 | 90,931 |
| 2041-2045 | 9,720 | 9,020 | - | - | 161,046 | 29,772 | 170,766 | 38,792 |
| 2046-2050 | 11,845 | 6,891 | - | - | 69,209 | 8,334 | 81,054 | 15,225 |
| 2051-2055 | 14,570 | 4,177 | - | - | - | - | 14,570 | 4,177 |
| 2056-2058 | 10,340 | 906 | - | - | - | - | 10,340 | 906 |
| Total | $ 2,152,477 | $ 713,039 | $ 121,275 | $ 12,622 | $1,380,460 | $ 686,336 | $ 3,654,212 | $ 1,411,997 |

**Business-Type Activities (1)**

| Fiscal Year Ending June 30 | Revenue Bonds (4) (5) Principal | Revenue Bonds (4) (5) Interest | Certificates of Participation (5) Principal | Certificates of Participation (5) Interest | Other Long-Term Obligations Principal | Other Long-Term Obligations Interest | Total Principal | Total Interest |
|---|---|---|---|---|---|---|---|---|
| 2021 | $ 359,335 | $ 683,094 | $ 12,769 | $ 14,385 | $ 3,150 | $ 1,856 | $ 375,254 | $ 699,335 |
| 2022 | 378,050 | 660,238 | 13,423 | 13,730 | 5,238 | 2,976 | 396,711 | 676,944 |
| 2023 | 409,798 | 642,629 | 14,117 | 13,043 | 5,639 | 2,881 | 429,554 | 658,553 |
| 2024 | 402,407 | 625,019 | 14,073 | 12,289 | 5,429 | 2,785 | 421,909 | 640,093 |
| 2025 | 436,178 | 607,298 | 14,753 | 11,502 | 5,526 | 2,687 | 456,457 | 621,487 |
| 2026-2030 | 2,110,794 | 2,710,774 | 73,097 | 45,933 | 28,964 | 11,871 | 2,212,855 | 2,768,578 |
| 2031-2035 | 1,865,817 | 2,234,046 | 48,050 | 29,419 | 30,718 | 9,190 | 1,944,585 | 2,272,655 |
| 2036-2040 | 2,628,445 | 1,723,362 | 48,461 | 15,517 | 30,998 | 6,492 | 2,707,904 | 1,745,371 |
| 2041-2045 | 2,849,280 | 1,053,004 | 24,389 | 1,796 | 33,309 | 3,922 | 2,906,978 | 1,058,722 |
| 2046-2050 | 2,650,775 | 399,912 | - | - | 29,475 | 1,304 | 2,680,250 | 401,216 |
| 2051-2055 | 96,160 | 15,841 | - | - | 3,066 | 31 | 99,226 | 15,872 |
| 2056-2058 | 48,810 | 3,214 | - | - | - | - | 48,810 | 3,214 |
| Total | $14,235,849 | $11,358,431 | $ 263,132 | $ 157,614 | $ 181,512 | $ 45,995 | $ 14,680,493 | $ 11,562,040 |

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately $18.8 million and $3.9 million, respectively, through the year ending 2030. The federal sequester reduction was 5.9% in fiscal year 2020 and will be 5.7% in fiscal year 2021. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 0.08%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $250.9 million less.

(5) The interest is before the federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidies were reduced by 5.7% or a total reduction of $23.0 million, $3.2 million and $74, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

(Dollars in Thousands)

***Governmental Activities Long-term Liabilities***

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2020 are as follows:

**Governmental Activities - General Obligation Bonds**

| | |
|---|---|
| Authorized and unissued as of June 30, 2019 | $ 1,094,565 |
| Increase in authorization in this fiscal year: | |
| Affordable Housing | 600,000 |
| Earthquake Safety and Emergency Response | 628,500 |
| Subtotal | 2,323,065 |
| Bonds issued: | |
| Series 2019B Clean and Safe Neighborhood Parks | (3,100) |
| Series 2019C Affordable Housing | (92,725) |
| Series 2020A Embarcadero Seawall Earthquake Safety | (49,675) |
| Net authorized and unissued as of June 30, 2020 | $ 2,177,565 |

The increase in the authorized and unissued amount over the last year reflect the $600.0 million of 2019 Affordable Housing (Proposition A) and $628.5 million of 2020 Earthquake Safety and Emergency Response (Proposition B) General Obligation Bonds approved by at least two-thirds of voters at elections held on November 5, 2019 and March 3, 2020, respectively. The proceeds of the Affordable Housing bonds will be used to finance the construction, development acquisition, and preservation of housing affordable to extremely low, low- and middle-income households through programs that will prioritize vulnerable populations. The proceeds of the Earthquake Safety and Emergency Response bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructure.

In October 2019, the City issued General Obligation Bonds Series 2019B (Clean and Safe Neighborhood Parks) and Series 2019C (Affordable Housing) in the amount of $3.1 million and $92.7 million (the Series 2019B and the Series 2019C), respectively. The Series 2019B bonds bear an interest rate of 5.0% and matured on June 2020. The Series 2019C bonds bear interest rates ranging from 1.55% to 2.70% and principal amortizing from June 2020 through June 2039. The Series 2019B was issued to provide funds to improve the safety and quality of neighborhood parks across the City and waterfront open spaces by enhancing water quality and cleaning up environmental contamination along the Bay, replacing unsafe playgrounds, fixing restrooms, improve access for the disabled, and insuring the seismic safety of park and recreational facilities under the jurisdiction of the Port of San Francisco and pay certain costs related to the issuance of the Series 2019B bonds. The Series 2019C was issued to finance the construction, development, acquisition and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; to provide for homeownership down payment assistance opportunities for educators and middle-income households; and pay certain costs related to the issuance of the Series 2019C bonds.





In May 2020, the City issued the General Obligation Bonds Series 2020-R1 (the Bonds) in the amount of $195.3 million with interest rates of 4.0% and 5.0% and principal maturing from June 2021 through June 2035 to refund certain outstanding general obligation bonds described below and to pay certain costs related to the issuance of the Bonds.

**General Obligation Bonds, Series 2020-R1**

| Description of Bonds | Amount Refunded | Interest Rate | Redemption Price | Redemption Date |
|---|---|---|---|---|
| GO Refunding S2008-R1 | $ 3,480 | 4.00% | 100% | 5/27/2020 |
| Earthquake Safety and Emergency Response S2010E | 35,730 | 4.00% - 5.00% | 100% | 6/15/2020 |
| Earthquake Safety and Emergency Response S2012A | 108,025 | 3.00% - 4.00% | 100% | 6/15/2020 |
| Clean & Safe Neighborhood Parks S2012B | 42,425 | 2.00% - 4.00% | 100% | 6/15/2020 |
| Road Repaving & Street Safety S2012C | 43,435 | 2.00% - 4.00% | 100% | 6/15/2020 |
| Total | $ 233,095 | | | |

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of $231.4 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of $6.1 million were deposited with Wilmington Trust, National Association as escrow agent. The funds deposited and held with the escrow agent, together with investment earnings thereon, were enough to pay principal and interest on the refunded bonds to be redeemed on the respective redemption dates specified on the table above.

The refunding resulted in the recognition of an accounting gain of $17.7 million for the year ended June 30, 2020. The City in effect reduced its aggregate debt service payments by $38.2 million and obtained a net present value savings of $31.2 million or 13.41% of the refunded bonds.

In June 2020, the City issued the City and County of San Francisco Taxable General Obligation Bonds (Embarcadero Seawall Earthquake Safety) Series 2020A (the Series 2020A) in the amount of $49.7 million. The Series 2020A bonds bear interest rates of 0.35% and 0.75% with principal amortizing from June 2020 to June 2021. The proceeds of the Series 2020A bonds will be used to finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure, and to pay certain costs related to the issuance of the Series 2020A bonds.

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

In October 2019, the City issued Certificates of Participation (49 South Van Ness Project) Series 2019A (the Certificates) in the amount of $247.8 million, the proceeds of which will be used to: finance or refinance a portion of the costs of the acquisition, demolition, construction and installation of improvements of an office building to be used by the City, located at 49 South Van Ness Avenue, San Francisco, California (the Project); retire certain commercial paper notes of the City, the proceeds of which, financed or refinanced a portion of the cost of the Project; fund the 2019 Reserve Account established under the Trust Agreement for the Certificates; pay capitalized interest through December

(Dollars in Thousands)

1, 2020 and; pay costs of issuance of the Certificates. The Series 2019A Certificates bear interest rates ranging from 3.0% to 5.0% with principal amortizing from April 2021 through April 2050.

In November 2019, the City issued $116.5 million Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation which financed capital projects of the City, consisting of $89.4 million proceeds of which was used for improvements to Laguna Honda Hospital and of $27.1 million for the acquisition, construction and installation of improvements to various City streets; finance the acquisition of capital equipment, including mechanical street sweepers, and other capital expenditures; and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.125% to 5.0% and will mature from April 2020 through April 2035. For the governmental activities, the refunding resulted in an accounting gain of $174 and a net present value savings of $6.1 million or 21.2% of refunded bonds.

As of June 30, 2020, the City has a total of $1.10 billion of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund has been established for payment of certain COP issuances, equivalent to either 50% of or 100% of the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original principal amount of the COPs. The total debt service requirement on the certificates of participation is $1.71 billion payable through April 1, 2050. For the year ended June 30, 2020, principal and interest paid by the City totaled $31.0 million and $41.4 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2020 were as follows:

**Governmental Activities - Lease Revenue Bonds**

| | |
|---|---|
| Authorized and unissued as of June 30, 2019 | $ 192,558 |
| Increase in authorization in this fiscal year: | |
| Current year annual increase in Finance Corporation's equipment program | 3,920 |
| Authorized and unissued as of June 30, 2020 | $ 196,478 |

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance 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 an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.





The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the Finance Corporation for the use of equipment and facilities acquired, constructed, and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $133.9 million payable through June 2030. For the year ended June 30, 2020, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled $5.8 million and $3.2 million, respectively.

*Equipment Lease Program* - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2020, all the previously issued equipment lease revenue bonds have been repaid. $82.3 million of unused authorization is still available for new issuance.

***Events of Default and Remedies***

*Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2* - Events of default as specified in the Indenture include: (i) failure to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise failure to pay the Credit Bank when due; (ii) failure to observe any covenant or warranty under Credit Agreement; (iii) default on any appropriation debt; (iv) filing for bankruptcy; and (v) downgrade of the City's rating below "BBB" of which could cause acceleration of mandatory tender of bonds. Upon the occurrence of an event of default, remedies include the termination of Letters of Credit on stated termination date; on last payment of Bonds; upon payment of Bonds from mandatory tender due to substitute credit facility; or conversion of Bonds to mode other than daily or weekly. The bonds are subject to mandatory tender.

*Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1* - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

*Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B* - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due, (ii) or failure to observe covenants under the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or enforce rights under lease and sue each year for rent. The bonds are not subject to acceleration.

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) with a par value of $248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, repay a portion of the then-outstanding amount under a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. Outstanding principal at June 30, 2020 is $235.3 million. The Series 2017 Bonds are payable from, and secured by a pledge of the SFCTA's sales tax revenues. Debt service payments of $21.3 million as a ratio of pledged sales tax revenues of $99.3 million for the year ended June 30, 2020, was 4.56x or 455.92%. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

In June 2018, the SFCTA entered into a Revolving Credit (Loan) Agreement with State Street Public Lending Corporation and US Bank N.A. for a total amount of $140.0 million with a rate of interest equal to the sum of 80% of 1-month LIBOR plus a fixed credit spread (subject to adjustment if the SFCTA's credit rating changes). This agreement replaced a prior revolving credit agreement. In fiscal year 2020, the commitment fees were paid by the SFCTA under the Revolving Credit Agreement at an interest rate of 0.24%. The Revolving Credit Agreement expires on June 7, 2021 and is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the SFCTA's Series 2017 Bonds. If specified conditions are met, the repayment period for loans under the Revolving Credit Agreement may extend five years after June 7, 2021. As of June 30, 2020, the SFCTA has no outstanding balance under the Revolving Credit Agreement but can borrow up to $140.0 million under the agreement at any time. The SFCTA paid $0.4 million for commitment fees in fiscal year 2020.

Events of Default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the Revolving Credit Agreement.

*Events of Default and Remedies - Other Long-Term Obligations*

*Marina West Harbor Loans* - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways by the State of California are the repossession of the project area, declaring that the loan is due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

*IBM Credit LLC* - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Project Lease. Remedies of the lender are repossessing the leased equipment, entering premises to take possession, or enforce rights under Lease, and other remedies available by law. The IBM credit has no acceleration provision.

*Public Safety Radio Lease Financing* - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

***Business-Type Activities Long-Term Liabilities***

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.





**San Francisco International Airport**

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2020, the Airport has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2020, $4.6 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2019E/F/G

In September 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019E (AMT), Series 2019F (Non-AMT/Governmental Purpose), and Series 2019G (Federally Taxable) in an aggregate principal amount of approximately $896.9 million to finance and refinance (through repayment of commercial paper notes) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) construction of the Courtyard 3 Connector (a secure connector between Terminals 2 and 3), (d) renovation of the International Terminal departures level, (e) gate enhancements, and (f) extension of AirTrain service to the long-term parking garages; to fund deposits to debt service reserve accounts and the Contingency Account; to fund deposits to capitalized interest accounts; and to pay costs of issuance. The net proceeds of the Series 2019E Bonds, Series 2019F Bonds and the Series 2019G Bonds issued as capital plan bonds (consisting of approximately $896.9 million par amount, net original issue premium of $194.4 million and net of the underwriters' discount of $1.5 million, together with a debt service reserve fund release of $11.9 million), were used to deposit $954.8 million to project accounts, $24.3 million to refund commercial paper notes (including $4.9 million of commercial paper notes that funded a deposit to the Airport's contingency account), $3.1 million to the Airport's contingency account, $59.9 million to the capitalized interest accounts, $58.4 million to the Original Reserve Account, and $1.1 million to pay costs of issuance.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2020, the Airport has authorized the issuance of up to $11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2020, $2.6 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2020, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

*Second Series Revenue Bonds, Series 2019G and Second Series Revenue Refunding Bonds, Series 2019H*

In September 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019G (Federally Taxable), and Second Series Revenue Refunding Bonds, Series 2019H (AMT), in the aggregate principal amount of $292.3 million, to refund $328.0 million of its Issues 37C and 2010A-3 bonds, and Series 2009A, 2009B, 2009C-2 Bonds, in addition to refinancing two swap termination payments totaling $25.1 million. The net proceeds of the Series 2019G and 2019H Bonds (consisting of $292.3 million par amount and original issue premium of $49.7 million, less an underwriters' discount of $0.4 million), together with $16.2 million accumulated in the debt service fund relating to the refunded bonds were used to deposit $332.3 million into irrevocable escrow funds with the Senior Trustee to refund $328.0 million in revenue bonds as described below and $0.5 million to pay costs of issuance.

(Dollars in Thousands)

| | Amount refunded | Interest rate |
|---|---|---|
| Second Series Revenue Bonds Issue: | | |
| Issue 37C (Non-AMT/Private Activity) | $ 82,500 | 3.90% |
| Series 2009A (Non-AMT/Private Activity) | 84,305 | 4.90% |
| Series 2009B (Non-AMT/Private Activity) | 75,905 | 4.90% |
| Series 2009C-2 (Non-AMT/Private Activity) | 19,080 | 4.13 - 5.00% |
| Issue 2010A-3 (AMT) | 66,205 | 3.77% |
| Total | $ 327,995 | |

The Series 2009C-2, Issue 37C, and Issue 2010A-3 Bonds were redeemed in September 2019, and the Series 2009A and 2009B bonds were redeemed in November 2019. In aggregate, the Series 2019G/H refundings resulted in the recognition of a deferred accounting loss of $8.0 million for the year ended June 30, 2020. In aggregate, the Series 2019G/H refundings decreased the Airport's aggregate gross debt service payments by approximately $27.9 million over the next eleven years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $16.2 million.

Variable Rate Demand Bonds

As of June 30, 2020, the Airport had outstanding an aggregate principal amount of $407.5 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Series 2010A, and Second Series Variable Rate Revenue Bonds, consisting of Series 2018B and Series 2018C, (collectively, the Variable Rate Bonds) with final maturity dates of May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.28% and 0.39% per annum. As of June 30, 2020, there were no unreimbursed draws under these facilities.





Subsequent to the issuance and delivery of Series 2019H bonds on September 10, 2019, the letter of credit issued by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) supporting the Issue 37C Bonds and the Remarketing Agreement with Stifel, Nicolaus & Company, Incorporated, as remarketing agent for the Issue 37C Bonds, were terminated. In September 2019, the principal amount of letter of credit issued by Bank of America, N.A., supporting the Series 2010A Bonds was reduced to $134.7 million. In April 2020, the Bank of America, N.A., letter of credit supporting the Series 2010A Bonds was extended to April 14, 2023. The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2020, are as follows:

| | Series 2010A | Series 2018B | Series 2018C |
|---|---|---|---|
| Principal amount | $ 131,205 | $ 138,170 | $ 138,170 |
| Expiration date | April 14, 2023 | June 3, 2022 | June 3, 2022 |
| Credit provider | Bank of America (1) | Barclays (2) | SMBC (3) |

(1) Bank of America, N.A.
(2) Barclays Bank PLC
(3) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the Hotel Special Facility Bonds), in the aggregate principal amount of $260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds were issued pursuant to a Trust Agreement (the Hotel Trust Agreement). The maximum principal amount of such bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2020, the Airport had $260.0 million of outstanding Hotel Special Facility Bonds.

(Dollars in Thousands)

Interest Rate Swaps

As of June 30, 2020, the Airport's derivative instrument comprised of one interest rate swap that the Airport entered into to hedge the interest payments on its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swap continued to be effective as of June 30, 2020.

| No. | Current bonds | Initial notional amount | Notional amount June 30, 2020 | Effective date |
|---|---|---|---|---|
| 1 | 2010A* | $ 143,947 | $ 131,187 | 2/1/2020 |
| | Total | $ 143,947 | $ 131,187 | |

* Hedges Series 2010A-1 and 2010A-2.

Fair Value

The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. The value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. The nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings-based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2020, the fair value of the Airport's outstanding swap, counterparty credit ratings, and fixed rate payable by the Airport is shown in the following table. Since the swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Senior Unsecured Rating, and Fitch's Long-Term Issuer Default Rating.

| No. | Current bonds | Counterparty/guarantor* | Counterparty credit ratings (S/M/F) | Fixed rate payable by Airport | Fair value to Airport |
|---|---|---|---|---|---|
| 1 | 2010A** | Goldman Sachs Bank USA/ | | | |
| | | Goldman Sachs Group, Inc. | BBB+/A3/A* | 3.925% | $ (28,221) |
| | | Total | | | $ (28,221) |

* Reflects ratings of the guarantor.
** Hedges Series 2010A-1 and 2010A-2.





Fair Value Hierarchy

| | Fair Value June 30,2020 | Fair value measurements using significant other observable inputs (Level 2) |
|---|---|---|
| Interest rate swap | $ (28,221) | $ (28,221) |

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2020 is as follows:

| | Deferred outflows on derivative Instruments | Derivative instruments |
|---|---|---|
| Balance as of June 30, 2019 | $ 38,828 | $ 46,085 |
| Change in fair value to year-end | (10,607) | (17,864) |
| Balance as of June 30, 2020 | $ 28,221 | $ 28,221 |

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). Any off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis.

*Basis Risk* – During the year ended June 30, 2020, the Airport paid a total of $0.4 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

*Credit Risk* – As of June 30, 2020, the Airport is not exposed to credit risk because the swap has a negative fair value to the Airport.

*Counterparty Risk* –As of June 30, 2020, the fair value of the Airport's swap was negative to the Airport (representing an amount payable by the Airport to the counterparty in the event the relevant swap was terminated).

*Termination Risk* – The Airport has not secured municipal swap insurance for its outstanding swap.

As of June 30, 2020, the fair value of the swap was negative to the Airport as shown above.

Debt Service Reserves and Requirements

*Issue 1 Reserve Account* - As of June 30, 2020, the reserve requirement for the Issue 1 Reserve Account was $510.8 million, which was satisfied by $528.1 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $108.6 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated.

In addition, $27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

*2009 Reserve Account* - As of June 30, 2020, the reserve requirement for the 2009 Reserve Account was $2.6 million, which was satisfied by $8.8 million in cash and investment securities.

*2017 Reserve Account* - As of June 30, 2020, the reserve requirement for the 2017 Reserve Account was $47.8 million, which was satisfied by $54.3 million in cash and investment securities.

*Series Secured by Other or No Reserve Accounts* - The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, and interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

**San Francisco Water Enterprise**

*Water Revenue Refunding Bonds 2019 Series ABC*

In January 2020, the Water Enterprise issued taxable revenue bonds, 2019 Series ABC refunding bonds in the aggregate amount of $656.9 million. The 2019 Series A (Water System Improvement Program (WSIP), Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series F (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2020, and a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2035.

The 2019 Series B (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2032.

The 2019 Series C (Local) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2032.

The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2019 Series ABC bonds include serial bonds with interest rates varying from 1.8% to 3.5% and have a final maturity in 2043. The Series ABC bonds have a true interest cost of 3.3%. The refunding resulted in the recognition of a deferred accounting loss of $17.3 million, gross debt service savings of $119.8 million, and an economic gain of $92.6 million or 14.0% of refunded principal. As of June 30, 2020, the principal amount of 2019 Series ABC bonds outstanding was $656.9 million.





*Clean Water State Revolving Fund (CWSRF) Loan and Grant*

In September 2017, the San Francisco Public Utilities Commission (SFPUC) entered into an installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $186.2 million which includes $15.0 million of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2020 was $73.3 million.

*Events of Default and Remedies*

*Revenue Bonds, Capital Appreciation Bonds and State Revolving Fund Loans* - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause the Trustee to declare that the principal and accrued interest thereon and all capital appreciation bonds then outstanding in its accreted value thereof, to be due and payable immediately. As of June 30, 2020, there were no such events described herein.

**Hetch Hetchy Water and Power**

*Events of Default and Remedies*

*Clean Renewable Energy Bonds* - Significant event of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein.

*Qualified Energy Conservation Bonds* - Significant event of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2020, there were no such events described herein.

*Power Revenue Bonds* - Significant event of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations) declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2020, there were no such events described herein.

**San Francisco Municipal Transportation Agency**

In October 2016, the Portsmouth Plaza Parking Corporation entered into a loan agreement with First Republic Bank in a total principal amount of up to $12.5 million for the garage renovation project. The loan has a term of 30 years at 3.3% per annum and is secured with the collateral of all the garage's business assets. The drawdowns are limited to once a month for a minimum of $0.25 million each disbursement. The loan agreement requires that certain funds shall be administered by the lender which include a loan proceeds account and a reserve account. In February 2019, the loan agreement was amended to reduce the maximum loan amount to $12.0 million and change the first principal payment from November 1, 2018 to November 1, 2019. Beginning November 2019, the garage is required to make monthly principal payments and interest. In April 2020, the parking corporation obtained Small Business Administration's (SBA) Paycheck Protection Program loan with First Republic Bank in the amount of $0.3 million. The loan has a term of two years at a fixed interest rate of 1.0% per annum with no collateral requirement. The loan program allows borrowers to apply for loan forgiveness to cover eligible expenses incurred during the 24-week period. Loan payments shall be deferred until SBA remits the loan forgiveness amount to the lender. For any amount of the loan that is not forgiven, the parking corporation shall be responsible for the payment of principal and accrued interest within the term of the loan. The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity.

*Events of Default and Remedies*

*Revenue Bonds* – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

*Portsmouth Plaza Parking Corporation Loan* – In an event of default under the loan agreement, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year.

**Wastewater Enterprise**

*WIFIA Loan Agreement-Southeast Treatment Plant Improvements*

In June 2020, the San Francisco Public Utilities Commission (SFPUC) entered into a "Water Infrastructure Finance and Innovation Act (WIFIA)" Loan Agreement (WIFIA Loan) with the United States Environmental Protection Agency in the amount of $513.9 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund (CWSRF) Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2020.

*OSP Digester Gas Utilization Upgrade Project*

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54.4 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in August 2021. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. As of June 30, 2020, the principal amount outstanding of the loan was $0.





*SEP Biosolids Digester Facilities Project*

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132.0 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. As of June 30, 2020, the principal amount outstanding of the loan was $0.

*WIFIA Loan Agreement-Biosolids Digester Facility Project*

In July 2018, the SFPUC entered into a WIFIA Loan with the United States Environmental Protection Agency in the amount of $699.2 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and CWSRF Loans entered into with the California State Water Resources Control Board. The original 2018 loan bore a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. In June 2020, the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of WIFIA Loan Agreement are unchanged. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2020.

*Lake Merced Green Infrastructure Project CWSRF Loan*

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loan is $7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $4.9 million and a receivable for reimbursement of $1.2 million. As of June 30, 2020, the principal amount outstanding of the loan was $6.1 million.

*Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan*

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loan is $40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $36.1 million and a receivable for reimbursement of $2.0 million. As of June 30, 2020, the principal amount outstanding on the loan was $37.7 million.

*North Point Facility Outfall Rehabilitation Project CWSRF Loan*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loan is $20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17.7 million. As of June 30, 2020, the principal amount outstanding of the loan was $16.6 million.

*SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan*

In September 2017 the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loan is $34.4 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29.2 million. As of June 30, 2020, the principal amount outstanding of the loan was $27.6 million.

*Events of Default and Remedies*

*Wastewater Revenue Bonds, CWSRF Loans, and WIFIA Loan* - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2020, there were no such events described herein.

**Port of San Francisco**

*Revenue Refunding Bonds* - In February 2020, the Port issued $23.8 million in refunding revenue bonds in two series; a non-AMT tax-exempt series (Series 2020A) and a taxable series (Series 2020B). The purpose of the Series 2020A and Series 2020B Bonds was to refund all outstanding Series 2010A and Series 2010B in the aggregate principal amount of $29.9 million. Series 2020A, original issued total of $10.9 million, has serial bonds of $10.9 million outstanding at June 30, 2020 with remaining coupon rates from 4.0% to 5.0% and remaining maturities from March 2031 through March 2040. Series 2020B, original issued total of $12.9 million, has serial bonds of $12.9 million outstanding at June 30, 2020 with remaining coupon rates from 1.62% to 2.408% and remaining maturities from March 2021 through March 2030. The Series 2020A and Series 2020B Bonds are not secured by a debt service reserve fund. The refunding resulted in a net present value savings (economic gain) of $9.1 million and an accounting loss from refunding of debt of $175.

In May 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (the SBH) from the Office of Community Investment and Infrastructure (OCII), including three loans





provided by Cal Boating, which totaled $6.1 million and accrues interest at a rate of 4.5% per annum. As of June 30,2020, total principal and interest remaining to be paid on the loans are $8.3 million. The loan is secured by net revenues as defined in the loan agreement. Annual principal and interest payments were $536 in 2020 and pledged net revenues were $2.5 million for the year ended June 30, 2020. Cal Boating may take possession of the operations if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

Also, in conjunction with the receipt of SBH loans, the Port designated SBH as a Special Facility and the Cal Boating Loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture. Pursuant to Section 2.14 of the Revenue Bond Master Trust Indenture, the Port Commission is authorized to designate an existing or planned facility, structure, equipment or other property, real or personal property that is located within the Port Area as a Special Facility. The Port Commission may designate revenue earned by the Port from or with respect to a Special Facility as "Special Facility Revenue". Special Facility Revenue is not included in revenue as defined in the Revenue Bond Master Trust Indenture, and, consequently, is not included in the Net Revenues that is pledged as security for the Revenue Bonds under the Revenue Bond Master Trust Indenture.

*Events of Default and Remedies*

*Revenue Bonds* - The revenue bonds contain an acceleration provision that in an event of default, the trustee may, upon written request from the credit provider or holders of not less than fifty-one percent of the aggregate principal amount then outstanding, by written notice to the Port, shall declare the principal amount of all bonds outstanding and the interest accrued becomes due and payable immediately.

*Certificates of Participation* – In an event of default, the trustee may enforce all of its rights and remedies under the project lease, including the right to recover base rental payments as they become due under the project lease by pursuing any remedy available in law or in equity, other than by terminating the project lease or re-entering and reletting the leased property, or except as expressly provided in the project lease.

*Loan Agreement with the California Division of Boating and Waterways* – The loan contains a provision that in an event the Port fails, in whole or in part, to make any payment due under the Fisherman's Wharf loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment made by the Port is less than the amount required under the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

**Laguna Honda Hospital**

In November 2019, the City issued $116.5 million Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation which financed capital projects of the City, consisting of $89.4 million proceeds of which was used for improvements to Laguna Honda Hospital and of $27.1 million for the acquisition, construction and installation of improvements to various City streets; finance the acquisition of capital equipment, including mechanical street sweepers, and other capital expenditures; and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% to 5.0% and will mature from April 2020 through April 2031. The refunding resulted in an accounting gain of $1.5 million and a net present value savings of $22.1 million or 19.6% of refunded bonds for the Laguna Honda Hospital. The Laguna Honda Hospital base rental payments for the Certificates are funded through reimbursements under SB 1128 and the City's General Fund.

## (9) Employee Benefit Programs

### (a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at http://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.





***Benefits***

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

*Miscellaneous Non-Safety Members* who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Miscellaneous Non-Safety Members* who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Miscellaneous Non-Safety Members* who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

*Sheriff's Department Members and Miscellaneous Safety Members* who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

(Dollars in Thousands)

*Firefighter Members and Police Members* who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

*Firefighter Members and Police Members* who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

*Death benefit prior to retirement* generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receives continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

*Death benefit after retirement* generally, upon the death of a retired member, the retirement system provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective





July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost-of-living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | City Miscellaneous Plan | | City Safety Plan | |
|---|---|---|---|---|
| | Prior to | On or after | Prior to | On or after |
| Hire date | January 1, 2013 | January 1, 2013* | January 1, 2013 | January 1, 2013 |
| Benefit formula | 2% @ 60 | | 2% @ 50, 2% @ 55 or 3% @ 55 | 2% @ 57 or 2.7% @ 57 |
| Benefit vesting schedule | 5 years of service | | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | | Monthly for life | Monthly for life |
| Required employee contribution rates | 5.00% | | 7.00% to 9.00% | 10.75% to 13.00% |
| Required employer contribution rates | 11.15% | | 22.61% | 22.61% |

** For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.*

| | Transportation Authority Miscellaneous Plan | | Successor Agency Miscellaneous Plan | |
|---|---|---|---|---|
| | Prior to | On or after | Prior to | On or after |
| Hire date | January 1, 2013 | January 1, 2013 | January 1, 2013 | January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life | Monthly for life |
| Required employee contribution rates | 7.00% | 6.25% | 7.00% | 6.50% |
| Required employer contribution rates | 10.22% | 6.99% | 11.12% | 7.19% |

(Dollars in Thousands)

At June 30, 2020, the following current and former employees were covered by the benefit terms under each pension plan:

| | SFERS Plan | City CalPERS Miscellaneous Plan | City CalPERS Safety Plan | Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | Treasure Island Development Authority CalPERS Miscellaneous Plan |
|---|---|---|---|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 59,930 | 75 | 1,133 | 13 | 196 | 1 |
| Inactive employees entitled to but not yet receiving benefits | 9,183 | - | 300 | 60 | 152 | - |
| Active employees | 33,946 | 2 | 813 | 39 | 46 | - |
| Total | 103,059 | 77 | 2,246 | 112 | 394 | 1 |

### *Contributions*

For the year ended June 30, 2020, the City's actuarial determined contributions were as follows:

| | |
|---|---|
| SFERS Plan | $ 701,307 |
| City CalPERS Miscellaneous Plan | 10 |
| City CalPERS Safety Plan | 40,778 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 539 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 2,012 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 7 |
| Total | $ 744,653 |

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2020 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2019, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2018 actuarial report, the required employer contribution rates for fiscal year 2020 were 20.69% to 25.19%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $3.0 million replacement benefits in the year ended June 30, 2020.

Pension liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.





### *Net Pension Liability*

The table below shows how the net pension liability (NPL) as of June 30, 2020 is distributed.

| | |
|---|---|
| Governmental activities | $ 2,823,589 |
| Business-type activities | 1,831,949 |
| Fiduciary funds | 29,803 |
| Component Unit - Treasure Island Development Authority | 25 |
| Total | $ 4,685,366 |

As of June 30, 2020, the City's NPL is comprised of the following:

| | Proportionate Share | Share of Net Pension Liability (Asset) |
|---|---|---|
| SFERS Plan | 94.1288% | $ 4,213,809 |
| City CalPERS Miscellaneous Plan | -0.1541% | (15,793) |
| City CalPERS Safety Plan | N/A | 317,898 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 0.0230% | 2,352 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 0.2908% | 29,803 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 0.0002% | 25 |
| Replacement Benefits Plan | N/A | 137,272 |
| Total | | $ 4,685,366 |

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2019, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2019 and 2018 were as follows:

| | June 30, 2019 (Measurement Date) | | June 30, 2018 (Measurement Date) | |
|---|---|---|---|---|
| | Proportionate Share | Share of Net Pension Liability (Asset) | Proportionate Share | Share of Net Pension Liability (Asset) |
| SFERS Plan | 94.1288% | $ 4,213,809 | 94.1042% | $ 4,030,207 |
| City CalPERS Miscellaneous Plan | -0.1541% | (15,793) | -0.1573% | (15,154) |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 0.0230% | 2,352 | 0.0215% | 2,069 |
| Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans | 0.2908% | 29,803 | 0.2820% | 27,178 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 0.0002% | 25 | 0.0003% | 28 |
| Total | | $ 4,230,196 | | $ 4,044,328 |

(Dollars in Thousands)

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2018 (MD) | $ 1,401,943 | $ 1,082,203 | $ 319,740 |
| Change in year: | | | |
| Service cost | 30,109 | - | 30,109 |
| Interest on the total pension liability | 98,555 | - | 98,555 |
| Differences between expected and actual experience | (7,134) | - | (7,134) |
| Contributions from the employer | - | 43,789 | (43,789) |
| Contributions from employees | - | 9,141 | (9,141) |
| Net investment income | - | 71,212 | (71,212) |
| Benefit payments, including refunds of employee contributions | (62,934) | (62,934) | - |
| Administrative expense | - | (772) | 772 |
| Other miscellaneous income | - | 2 | (2) |
| Net changes during measurement period | 58,596 | 60,438 | (1,842) |
| Balance at June 30, 2019 (MD) | $ 1,460,539 | $ 1,142,641 | $ 317,898 |

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

| | Increase (Decrease) |
|---|---|
| | Total Pension Liability |
| Balance at June 30, 2018 (MD) | $ 92,253 |
| Change in year: | |
| Service cost | 1,286 |
| Interest | 3,538 |
| Differences between expected and actual experience | 13,588 |
| Assumption changes | 29,565 |
| Benefit payments | (2,958) |
| Net changes during measurement period | 45,019 |
| Balance at June 30, 2019 (MD) | $ 137,272 |





***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For the year ended June 30, 2020, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

| | Primary Government | | | Component Unit | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Treasure Island Development Authority | Total |
| SFERS Plan | $ 559,349 | $ 324,046 | $ - | $ - | $ 883,395 |
| City CalPERS Miscellaneous Plan | (204) | - | - | - | (204) |
| City CalPERS Safety Plan | 63,477 | - | - | - | 63,477 |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 808 | - | - | - | 808 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | - | - | 4,384 | - | 4,384 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | - | - | - | 5 | 5 |
| Replacement Benefits Plan | 15,027 | - | - | - | 15,027 |
| Total pension expense | $ 638,457 | $ 324,046 | $ 4,384 | $ 5 | $ 966,892 |

At June 30, 2020, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| | SFERS Plan | | CalPERS Miscellaneous Plans | | City CalPERS Safety Plan | | Replacement Benefits Plan | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 701,307 | $ - | $ 2,568 | $ - | $ 40,778 | $ - | $ - | $ - | $ 744,653 | $ - |
| Change in assumptions | 599,295 | - | 1,801 | 1,297 | 13,394 | - | 29,279 | 4,116 | 643,769 | 5,413 |
| Difference between expected and actual experience | 31,205 | 46,391 | 2,319 | 1,270 | 2,452 | 6,978 | 17,339 | - | 53,315 | 54,639 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 73,891 | 72,791 | 3,348 | 5,014 | - | - | 5,692 | 5,692 | 82,931 | 83,497 |
| Net differences between projected and actual earnings on plan investments | - | 776,478 | 276 | 563 | - | 5,995 | - | - | 276 | 783,036 |
| Total | $ 1,405,698 | $ 895,660 | $ 10,312 | $ 8,144 | $ 56,624 | $ 12,973 | $ 52,310 | $ 9,808 | $ 1,524,944 | $ 926,585 |

At June 30, 2020, the City reported $744.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30 | SFERS Plan | CalPERS Miscellaneous Plans | CalPERS Safety Plan | Replacement Benefits Plan | Total |
|---|---|---|---|---|---|
| 2021 | $ 154,369 | $ 80 | $ 14,415 | $ 13,162 | $ 182,026 |
| 2022 | (290,312) | (263) | (11,088) | 10,859 | (290,804) |
| 2023 | (96,559) | (274) | (1,579) | 9,851 | (88,561) |
| 2024 | 41,233 | 57 | 1,125 | 8,630 | 51,045 |
| Total | $ (191,269) | $ (400) | $ 2,873 | $ 42,502 | $ (146,294) |

(Dollars in Thousands)

### *Actuarial Assumptions*

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2019 is provided below, including any assumptions that differ from those used in the July 1, 2018 actuarial valuation.

| | SFERS Plan | | CalPERS Miscellaneous and Safety Plans |
|---|---|---|---|
| Valuation date | June 30, 2018 updated to June 30, 2019 | | June 30, 2018 |
| Measurement date | June 30, 2019 | | June 30, 2019 |
| Actuarial cost method | Entry-age normal cost method | | Entry-age normal cost method |
| Investment rate of return | 7.40%, net of pension plan investment expenses | | 7.15%, net of pension plan investment expenses, includes inflation |
| Municipal bond yield | 3.50% as of June 30, 2019<br>Bond Buyer 20-Bond GO Index, June 27, 2019 | | |
| Inflation | 2.75% | | 2.50% |
| Projected salary increases | 3.50% plus merit component based on employee classification and years of service | | Varies by Entry Age and Service |
| Discount rate | 7.40% as of June 30, 2019 | | 7.15% as of June 30, 2019 |
| Basic COLA | Old Miscellaneous and | | |
| | All New Plans | 2.00% | Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies. |
| | Old Police and Fire: | | |
| | Pre 7/1/75 Retirements | 2.50% | Safety standard COLA 2.0% |
| | Chapters A8.595 and A8.596 | 3.10% | |
| | Chapters A8.559 and A8.585 | 4.20% | |

For SFERS, mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS valuation at the June 30, 2019 measurement date were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2018.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP-2016. All other actuarial assumptions used in the CalPERS June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2016, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2019 measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2018.

### *Discount Rates*

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2019 was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2018 actuarial valuation.





The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years, respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2019, of the probability and amount of Supplemental COLA for each future year. We have assumed that a full Supplemental COLA will be paid to all Post 1997 Retirees effective July 1, 2019.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

**Assumed Supplemental COLA**
**for Members with a 2.00% Basic COLA**

| Year Ending June 30 | 96 - Prop C | Before 11/6/96 or After Prop C |
|---|---|---|
| 2021 | 0.75% | 0.27% |
| 2023 | 0.75% | 0.34% |
| 2025 | 0.75% | 0.36% |
| 2027 | 0.75% | 0.37% |
| 2030+ | 0.75% | 0.38% |

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2097 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2019 is 7.40%.

(Dollars in Thousands)

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 31.0% | 5.3% |
| Treasuries | 6.0% | 0.9% |
| Liquid Credit | 3.0% | 3.6% |
| Private Credit | 10.0% | 5.2% |
| Private Equity | 18.0% | 8.3% |
| Real Assets | 17.0% | 5.4% |
| Hedge Funds/Absolute Return | 15.0% | 3.9% |

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.





The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

| Asset Class[(1)] | Target Allocation | Real Return Years 1 - 10 [(2)] | Real Return Years 11+ [(3)] |
|---|---|---|---|
| Global equity | 50.00% | 4.80% | 5.98% |
| Global fixed income | 28.00% | 1.00% | 2.62% |
| Inflation sensitive | 0.00% | 0.77% | 1.81% |
| Private equity | 8.00% | 6.30% | 7.23% |
| Real estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |

(1) In the CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Replacement Benefits Plan – The discount rate was 3.50% as of June 30, 2019. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 28, 2019. These are the rates used to determine the total pension liability as of June 30, 2019.

The inflation assumption of 2.75% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $225 for 2019 was used for the 2019 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2020, the membership in the RBP had a total of 635 active members and 99 retirees and beneficiaries currently receiving benefits.

(Dollars in Thousands)

***Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| Cost-Sharing Pension Plans<br>Proportionate Share of Net Pension Liability | 1% Decrease Share of NPL @ 6.40% | Current Share of NPL @ 7.40% | 1% Increase Share of NPL @ 8.40% |
|---|---|---|---|
| SFERS | $ 7,953,927 | $ 4,213,809 | $ 1,123,642 |
| | **1% Decrease Share of NPL @ 6.15%** | **Current Share of NPL @ 7.15%** | **1% Increase Share of NPL @ 8.15%** |
| City CalPERS Miscellaneous Plan | $ (13,026) | $ (15,793) | $ (18,077) |
| Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans | 4,092 | 2,352 | 915 |
| Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans | 44,648 | 29,803 | 17,549 |
| Treasure Island Development Authority CalPERS Miscellaneous Plan | 36 | 25 | 16 |

The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| Agent Pension Plan | 1% Decrease @ 6.15% | Measurement Date @ 7.15% | 1% Increase @ 8.15% |
|---|---|---|---|
| City CalPERS Safety Plan | $ 512,539 | $ 317,898 | $ 156,946 |
| | **1% Decrease @ 2.50%** | **Measurement Date @ 3.50%** | **1% Increase @ 4.50%** |
| Replacement Benefits Plan | $ 163,205 | $ 137,272 | $ 116,979 |

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.





**Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $822.5 million in fiscal year 2020. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is $238.4 million to provide postemployment health care benefits for 29,543 retired participants, of which $196.5 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

**(b) Postemployment Health Care Benefits**

***City (excluding the Transportation Authority and the Successor Agency)***

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

**San Francisco Health Service System OPEB Plan**

| | |
|---|---|
| Valuation Date (VD) | June 30, 2019 |
| Measurement Date (MD) | June 30, 2019 |
| Measurement Period (MP) | July 1, 2018 to June 30, 2019 |

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

(Dollars in Thousands)

*City and County of San Francisco's Retirement System (SFERS)*

| | | |
|---|---|---|
| Normal Retirement | Miscellaneous | Age 50 with 20 years of credited service [1] |
| | | Age 60 with 10 years of credited service |
| | Safety | Age 50 with 5 years of credited service |
| Disabled Retirement [2] | Any age with 10 years of credited service | |
| Terminated Vested | 5 years of credited service at separation | |

*California Public Employees' Retirement System (CalPERS)*

| | |
|---|---|
| Normal Retirement | Age 50 with 20 years of credited service[3] |
| Disabled Retirement [2] | Any age with 5 years of credited service |
| Terminated Vested | 5 years of credited service at separation |

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.
[3] Age 52 with 5 years of credited service for Miscellaneous members hired on or after January 1, 2013.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2019 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

| | City Plan |
|---|---|
| Active plan members | 32,380 |
| Inactive employees entitled to but not yet receiving benefit payments | 2,071 |
| Inactive employees or beneficiaries currently receiving benefit payments | 22,045 |
| Total | 56,496 |

***San Francisco County Transportation Authority and Successor Agency***

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.





Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

| | Transportation Authority | Successor Agency |
|---|---|---|
| Active plan members | 37 | 46 |
| Inactive employees or beneficiaries currently receiving benefit payments | 10 | 110 |
| Total | 47 | 156 |

**Contributions**

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2020, the City's funding was based on "pay-as-you-go" plus a contribution of $39.5 million to the RHCTF. The "pay-as-you-go" portion paid by the City was $196.5 million for a total contribution subsequent to the measurement date of $236.0 million for the year ended June 30, 2020.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2020, the Transportation Authority contributed $51 to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2020, the Successor Agency contributed $2.9 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

OPEB liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

**Net OPEB Liability**

The table below shows how the net OPEB liability (asset) as of June 30, 2020 is distributed.

| | 2020 |
|---|---|
| Governmental activities | $ 2,117,699 |
| Business-type activities | 1,784,905 |
| Fiduciary funds | 17,143 |
| Total | $ 3,919,747 |

As of June 30, 2020, the City's net OPEB liability (asset) is comprised of the following:

| | |
|---|---|
| City defined benefit healthcare plan | $ 3,915,815 |
| Transportation Authority defined benefit healthcare plan | (412) |
| Successor Agency defined benefit healthcare plan | 4,344 |
| Total | $ 3,919,747 |



CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2020
(Dollars in Thousands)

The changes in the City OPEB Plan's net OPEB liability are as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2018 | $ 3,856,933 | $ 255,966 | $ 3,600,967 |
| Changes during the measurement period | | | |
| Service cost | 133,736 | - | 133,736 |
| Interest | 283,520 | - | 283,520 |
| Differences between expected and actual experience | 194,068 | - | 194,068 |
| Contributions - employer | - | 218,625 | (218,625) |
| Contributions - member | - | 51,024 | (51,024) |
| Net investment income | - | 26,959 | (26,959) |
| Benefit payments, including refunds of member contributions | (185,839) | (185,839) | - |
| Administrative expense | - | (132) | 132 |
| Net changes during the measurement period | 425,485 | 110,637 | 314,848 |
| Balance at June 30, 2019 | $ 4,282,418 | $ 366,603 | $ 3,915,815 |

The changes in net OPEB liability (asset) for the plans of the Transportation Authority and Successor Agency are as follows:

| | Transportation Authority | | | Successor Agency | | |
|---|---|---|---|---|---|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2018 | $ 1,936 | $ 1,707 | $ 229 | $ 12,154 | $ 5,586 | $ 6,568 |
| Changes during the measurement period | | | | | | |
| Service cost | 118 | - | 118 | 335 | - | 335 |
| Interest | 143 | - | 143 | 812 | - | 812 |
| Differences between expected and actual experience | (596) | - | (596) | - | - | - |
| Changes of assumptions | (63) | - | (63) | - | - | - |
| Contributions from the employer | - | 138 | (138) | - | 2,967 | (2,967) |
| Benefit payments | (60) | (60) | - | (906) | (906) | - |
| Administrative expense | - | (1) | 1 | - | (3) | 3 |
| Net investment income | - | 106 | (106) | - | 407 | (407) |
| Net changes during the measurement period | (458) | 183 | (641) | 241 | 2,465 | (2,224) |
| Balance at June 30, 2019 | $ 1,478 | $ 1,890 | $ (412) | $ 12,395 | $ 8,051 | $ 4,344 |

(Dollars in Thousands)

### *OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total |
| City defined benefit healthcare plan.............................. | $ 195,930 | $ 133,372 | $ 1,371 | $ 330,673 |
| Transportation Authority defined benefit healthcare plan... | 87 | - | - | 87 |
| Successor Agency defined benefit healthcare plan........... | - | - | 1,335 | 1,335 |
| Total OPEB expense.................................................. | $ 196,017 | $ 133,372 | $ 2,706 | $ 332,095 |

As of June 30, 2020, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

| | City Plan | | Transportation Authority | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions subsequent to measurement date............ | $ 235,962 | $ - | $ 51 | $ - |
| Differences between expected and actual experience...... | 166,344 | 275,523 | 17 | 563 |
| Changes in assumptions.......................................... | 79,371 | - | - | 59 |
| Changes in proportion................................................ | 31,347 | 31,347 | - | - |
| Net difference between projected and actual earnings on plan investments.................................. | - | 6,102 | - | 19 |
| Total.................................................................... | **$ 513,024** | **$ 312,972** | **$ 68** | **$ 641** |

| | Successor Agency | | Total | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions subsequent to measurement date...... | $ 2,901 | $ - | $ 238,914 | $ - |
| Differences between expected and actual experience...... | 95 | - | 166,456 | 276,086 |
| Changes in assumptions...................................... | 558 | - | 79,929 | 59 |
| Changes in proportion...................................... | - | - | 31,347 | 31,347 |
| Net difference between projected and actual earnings on plan investments.................................. | - | 13 | - | 6,134 |
| Total.................................................................... | **$ 3,554** | **$ 13** | **$ 516,646** | **$ 313,626** |





Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

| Year ending June 30: | City | Transportation Authority | Successor Agency | Total |
|---|---|---|---|---|
| 2021................ | $ (13,709) | $ (47) | $ 590 | $ (13,166) |
| 2022................ | (13,708) | (48) | 57 | (13,699) |
| 2023................ | (12,209) | (40) | (5) | (12,254) |
| 2024................ | (12,502) | (38) | (2) | (12,542) |
| 2025................ | (11,506) | (42) | - | (11,548) |
| Thereafter........ | 27,724 | (409) | - | 27,315 |
| Total | $ (35,910) | $ (624) | $ 640 | $ (35,894) |

### Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2019 (measurement date) is provided below:

**Key Actuarial Assumptions**

| | |
|---|---|
| **Valuation Date** | June 30, 2019 |
| **Measurement Date** | June 30, 2019 |
| **Actuarial Cost Method** | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| **Healthcare Cost Trend Rates** | Medical costs: Applied at beginning of calendar year, starting at 6.35% for 2021, grading down to 5.18% in 2029, and decreasing to an ultimate rate of 3.93% in 2076.<br>Vision and expenses trend remains a flat 3.50% for all years |
| **Expected Rate of Return on Plan Assets** | 7.40% |
| **Discount Rate** | 7.40% |
| **Salary Increase Rate** | Wage Inflation Component: 3.50%<br>Additional Merit Component (dependent on years of service):<br>Police: 1.50% - 8.00%<br>Fire: 1.50% - 15.00%<br>Muni Drivers: 0.00% - 15.00%<br>Craft: 0.00% - 3.50%<br>Misc: 0.00% - 5.25% |
| **Inflation Rate** | Wage Inflation: 3.50% compounded annually<br>Consumer Price Inflation: 2.75% compounded annually |
| **Mortality Tables** | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2014. |

Healthy Non-Annuitants - CalPERS employee mortality tables without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.918 | 2009 |
| Male | 0.948 | 2009 |

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.014 | 2009 |
| Male | 0.909 | 2009 |

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.066 | 2006 |
| Male | 0.942 | 2006 |

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.983 | 2009 |
| Male | 0.909 | 2009 |

(Dollars in Thousands)

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

The Transportation Authority net OPEB liability (asset) was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined using an actuarial valuation as of June 30, 2019. The Successor Agency's net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculation the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

| | June 30, 2019 Measurement Date | |
|---|---|---|
| **Key Actuarial Assumptions** | **Transportation Authority** | **Successor Agency** |
| Actuarial Valuation Date | June 30, 2019 | June 30, 2019 |
| Measurement Date | June 30, 2019 | June 30, 2019 |
| Discount Rate | 7.59% | 6.75% |
| General Inflation | 2.75% per annum | 2.75% |
| Salary Increases | 2.75% per annum, in aggregate | 3.00%; Merit based on 2017 CalPERS Experience Study |
| Investment Rate of Return | 7.59% | 6.75% |
| Mortality, Turnover, Disability, and Retirement | CalPERS Experience Study for the period from 1997 to 2015 | CalPERS Experience Study for the period from 1997 to 2015 |
| Healthcare Cost Trend Rate | Initial 6.5% for non-medicare eligibles, 11% for spouse/domestic partner of medicare eligibles | Pre-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076; Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 |

**Sensitivity of Net OPEB Liabilities (Asset) to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability (asset) for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

| | June 30, 2019 (measurement year) | | |
|---|---|---|---|
| **Plan** | **1% Decrease** | **Healthcare Trend** | **1% Increase** |
| City Defined Benefit Plan | $ 3,389,074 | $ 3,915,815 | $ 4,569,817 |
| Transportation Authority | (627) | (412) | (138) |
| Successor Agency | 3,171 | 4,344 | 5,738 |

**Discount Rate**

**City OPEB Plan -** The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.





The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Equities | 41.0% | 7.3% |
| Developed Market Equity (non-U.S.) | 20.0% | 7.1% |
| Emerging Market Equity | 16.0% | 9.4% |
| **Credit** | | |
| High Yield Bonds | 3.0% | 5.4% |
| Bank Loans | 3.0% | 5.0% |
| Emerging Market Bonds | 3.0% | 4.9% |
| **Rate Securities** | | |
| Treasury Inflation Protected Securities | 5.0% | 3.3% |
| Investment Grade Bonds | 9.0% | 3.6% |
| Total | 100.0% | |

**Transportation Authority and Successor Agency** - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.59% and 6.75%, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

(Dollars in Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return: Transportation Authority | Long-Term Expected Real Rate of Return: Successor Agency |
|---|---|---|---|
| Global Equity | 59.00% | 4.82% | 4.82% |
| Fixed Income | 25.00% | 1.47% | 1.47% |
| Treasury Inflation Protection Securities | 5.00% | 1.29% | 1.29% |
| Real Estate Investment Trusts | 8.00% | 3.76% | 3.76% |
| Commodities | 3.00% | 0.84% | 0.84% |
| Total | 100.00% | | |

The following presents the net OPEB liability (asset) calculated using the discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

| Plan | June 30, 2019 (measurement year) | | |
|---|---|---|---|
| | 1% Decrease 6.40% | Discount Rate 7.40 % | 1% Increase 8.40% |
| City Defined Benefit Plan | $ 4,521,637 | $ 3,915,815 | $ 3,420,855 |
| | **June 30, 2019 (measurement year)** | | |
| | 1% Decrease 6.59% | Discount Rate 7.59% | 1% Increase 8.59% |
| Transportation Authority | $ (186) | $ (412) | $ (596) |
| | **June 30, 2019 (measurement year)** | | |
| | 1% Decrease 5.75% | Discount Rate 6.75% | 1% Increase 7.75% |
| Successor Agency | $ 5,664 | $ 4,344 | $ 3,232 |





## (10) FUND EQUITY

### (a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2020, were distributed as follows:

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Nonspendable | | | |
| Imprest Cash, Advances, and Long-Term Receivables | $ 1,274 | $ 82 | $ 1,356 |
| Restricted | | | |
| Rainy Day | 229,069 | - | 229,069 |
| Public Protection | | | |
| Police | - | 16,590 | 16,590 |
| Sheriff | - | 1,025 | 1,025 |
| Other Public Protection | - | 31,638 | 31,638 |
| Public Works, Transportation & Commerce | - | 347,512 | 347,512 |
| Human Welfare & Neighborhood Development | - | 759,037 | 759,037 |
| Affordable Housing | - | 217,323 | 217,323 |
| Community Health | - | 40,865 | 40,865 |
| Culture & Recreation | - | 268,201 | 268,201 |
| General Administration & Finance | - | 21,313 | 21,313 |
| Capital Projects | - | 329,568 | 329,568 |
| Debt Service | - | 196,210 | 196,210 |
| Total Restricted | 229,069 | 2,229,282 | 2,458,351 |
| Committed | | | |
| Budget Stabilization | 362,607 | - | 362,607 |
| Recreation and Park Expenditure Savings | 803 | - | 803 |
| Total Committed | 363,410 | - | 363,410 |
| Assigned | | | |
| Public Protection | | | |
| Police | 19,729 | 4,009 | 23,738 |
| Sheriff | 3,534 | 2,381 | 5,915 |
| Other Public Protection | 56,572 | - | 56,572 |
| Public Works, Transportation & Commerce | 41,652 | 57,094 | 98,746 |
| Human Welfare & Neighborhood Development | 180,394 | 24,489 | 204,883 |
| Affordable Housing | 114,491 | - | 114,491 |
| Community Health | 213,545 | - | 213,545 |
| Culture & Recreation | 15,860 | 18,506 | 34,366 |
| General Administration & Finance | 98,488 | 18,840 | 117,328 |
| General City Responsibilities | 72,715 | - | 72,715 |
| Capital Projects | 208,691 | - | 208,691 |
| Litigation and Contingencies | 160,314 | - | 160,314 |
| Subsequent Year's Budget | 395,776 | - | 395,776 |
| Total Assigned | 1,581,761 | 125,319 | 1,707,080 |
| Unassigned | 510,408 | (729) | 509,679 |
| Total | $ 2,685,922 | $ 2,353,954 | $ 5,039,876 |

**(b) General Fund Stabilization and Other Reserves**

***Rainy Day Reserve***

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the "City Reserve") and the San Francisco Unified School District (the "School Reserve"). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City projects spending the balance of the Rainy Day Reserve over the fiscal years 2020-21, 2021-22, and 2022-23 to backfill revenue losses related to the COVID-19 pandemic in its most recent update to the Five-Year Financial Plan covering fiscal years 2020-21 through 2025-26.

***Budget Stabilization Reserve***

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City projects spending the balance of the Budget Stabilization Reserve over the fiscal years 2020-21, 2021-22, and 2022-23 to backfill revenue losses related to the COVID-19 pandemic in its most recent update to the Five-Year Financial Plan covering fiscal years 2020-21 through 2025-26.

***Recreation and Park Expenditure Savings Reserve***

The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

**(c) Encumbrances**

At June 30, 2020, encumbrances recorded in the General Fund and nonmajor governmental funds were $394.9 million and $553.9. million, respectively.





**(d) Restricted Net Position**

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the seismic strengthening and repair of the Embarcadero Seawall managed by the Port and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $419.0 million of unrestricted net position of governmental activities, of which $391.7 million reduced net investment in capital assets and $27.3 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

**(e) Deficit Fund Balances and Net Position**

The Senior Citizens Program Fund had a deficit of $0.7 million as of June 30, 2020. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2020.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $25.7 million and $35.1 million, respectively, as of June 30, 2020, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2020, the Successor Agency has a deficit of $461.1 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(Dollars in Thousands)

### (11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2020 consists of the following unavailable resources:

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Grant and subvention revenues | $ 140,900 | $ 60,749 | $ 201,649 |
| Property Tax | 171,987 | 10,676 | 182,663 |
| Teeter Plan | 20,655 | - | 20,655 |
| SB 90 | 3,898 | - | 3,898 |
| Advances to Successor Agency | - | 4,669 | 4,669 |
| PG&E franchise tax | 3,933 | - | 3,933 |
| Loans | 15,461 | 129,223 | 144,684 |
| Total | $ 356,834 | $ 205,317 | $ 562,151 |

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

### (12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

**Sales Tax Program.** On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase





2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

**Congestion Management Agency Programs.** On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

**Transportation Fund for Clean Air (TFCA) Program.** On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

**Vehicle Registration Fee for Transportation Improvements Program.** On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the 30-year Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). The Proposition AA program is a pay-as-you-go program.

**Treasure Island Mobility Management Authority (TIMMA)**. The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

**Traffic Congestion Mitigation Tax.** The Traffic Congestion Mitigation Tax was approved by San Francisco voters on November 5, 2019, through approval of Proposition D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to deliver improvements to transit reliability and safety on San Francisco's roadways, mitigating the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero- emission vehicle, and 3.25% is charged on rides with a single occupant. The tax is in effect until November 2045. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals, and maintenance.

(Dollars in Thousands)

## (13) Detailed Information for Enterprise Funds

### (a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2019 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

**Revenue Pledge** – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2019-20, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

| | |
|---|---|
| Bonds issued with revenue pledge | $ 1,189,175 |
| Bond principal and interest remaining due at end of the fiscal year | 15,096,311 |
| Bond principal and interest paid in the fiscal year | 487,379 |
| Commercial paper issued with subordinate revenue pledge | 49,375 |
| Commercial paper principal and interest remaining due at end of the fiscal year | 3,190 |
| Commercial paper principal, interest and fees paid in the fiscal year | 2,874 |
| Net revenues | 537,642 |

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058, and are subject to mandatory sinking fund redemption each year starting in 2022. The Hotel Special Facility Bonds are not payable from or secured by the Net Revenues of the Airport.

***Reserves and Debt Service Requirement –*** Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure





one or more series of Senior Bonds. Accordingly, the Airport has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for each series of Senior Bonds secured by the 2009 Reserve Account (each a 2009 Reserve Series) is the lesser of: (i) maximum annual debt service for such series of 2009 Reserve Series Bonds, (ii) 125% of average annual debt service for such series of 2009 Reserve Series Bonds, and (iii) 10% of the outstanding principal amount of such series (or allocable issue price of such series if such series is sold with more than a de minimis (2%) amount of original issue discount), in each case as determined from time to time. With respect to all 2009 Reserve Series, the reserve requirement is the aggregate of such amounts for each individual series. As of June 30, 2020, only the Series 2010D Bonds are secured by the 2009 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2020, only the Series 2017D, 2018A, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds, or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

(ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

**Passenger Facility Charges –**The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 or $3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2020, the FAA has approved Airport applications (PFC #2 to PFC #8) for collection and use with a total cumulative collection amount of $2.1 billion. The final charge expiration date is estimated to be March 1, 2029. In October 2019, the FAA accepted the closeout documents, as amended, and closed PFC Application #3. For the year ended June 30, 2020, the Airport reported approximately $73.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

(Dollars in Thousands)

**Commitments and Contingencies –** On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers pursuant to the Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 (the Interline Agreement). Pursuant to the Interline Agreement, the airlines that are members of SFO Fuel are collectively liable on a step-up basis for the sum of all costs, liabilities and expenses payable by SFO Fuel in relation to the administration and operation of SFO Fuel and the operation and maintenance of the premises and right-of-way leased from the Airport, including without limitation the facilities rent. The Fuel Bonds are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2020 are as follows:

| | |
|---|---|
| Construction | $ 192,636 |
| Operating | 23,364 |
| Total | $ 216,000 |

**Transactions with Other Funds –** Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2020 was $33.7 million. $33.5 million was recorded as a cash transfer and $0.2 million was recorded as a liability due to the City's General Fund. In addition, the Airport pays for the cost of certain direct services provided by City departments to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2020, was $183.5 million.

**Business Concentrations** - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2020, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

| | |
|---|---|
| United Airlines | 27.0% |





**(b) Port of San Francisco**

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation (Burton Act) ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

**Pledged Revenues** – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. As of June 30, 2020, the total principal and interest remaining to be paid on the bonds is $65.0 million. The principal and interest payments made in 2020 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2020, were $14.5 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is $2.1 million. Annual principal and interest payments were $0.2 million in 2020 and pledged harbor revenues were $0.2 million for the year ended June 30, 2020.

**Commitments and Contingencies** – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2020, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $15.7 million for capital projects and $2 million for general operations.

**Transactions with Other Funds** – The Port receives from, and provides services to, various City departments. In fiscal year 2019-20, the $20.0 million in services provided by other City departments included $3.2 million of insurance premiums and $0.7 million in workers' compensation expense.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). In August 2019, the Port received $15.0 million from MOHCD, which included additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2020, the Port has a noncurrent unearned revenue balance in the amount of $14.3 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2020, rent credits of $0.5 million have been provided to SFFD.

(Dollars in Thousands)

**South Beach Harbor Project Commitments** – On May 1, 2019, the Successor Agency transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. The Port is seeking an extension of time from BCDC to complete the amended project work.

**Pier 45 Fire** – On May 23, 2020, a large fire broke out at a warehouse (Shed C) on Pier 45. Nearly all of Shed C and its contents were lost due to the fire, including loss of private property stored at the pier. The Port's property was insured at the time of the incident. The Port has received claims for lost or damaged property and lost profits, which the Port has denied. Tenant lease agreements generally contain language that protects the City from any form of property damage liability, although not all claimants have signed leases. The Port has tendered all third-party claims to its liability insurers, who have accepted the tender and agreed to the appointment of the City Attorney as defense counsel. It is unclear if the insurer will cover all the Port losses or any private party losses.

**Pollution Remediation Obligations** – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to Port property, including asbestos removal, fuel tank removal, and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any





rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at $2.9 million at June 30, 2020.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2020, is as follows:

| | Environmental Remediation | Miscellaneous Compliance | Total |
|---|---|---|---|
| Environmental liabilities at July 1, 2019 | $ 4,105 | $ 44 | $ 4,149 |
| Current year claims and changes in estimates | (1,163) | (44) | (1,207) |
| Environmental liabilities at June 30, 2020 | $ 2,942 | $ - | $ 2,942 |

**(c) San Francisco Water Enterprise**

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2019-20, the Water Enterprise sold water, approximately 69,934 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission, established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

(Dollars in Thousands)

**Pledged Revenues –** The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2050-51.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2020 and applicable revenues for 2020 are as follows:

| | | |
|---|---|---|
| Bonds issued with revenue pledge | $ | 4,585,440 |
| Bond principal and interest remaining due at end of the fiscal year | | 7,388,886 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | | 73,271 |
| Bond principal and interest paid in the fiscal year | | 269,210 |
| Net revenues | | 339,947 |
| Funds available for revenue bond debt service | | 581,878 |

**Water Balancing Account –** During fiscal year 2019-20, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $256.3 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2020, the City owed the Wholesale Customers $64.9 million under the Water Supply Agreement.

**Commitments and Contingencies –** As of June 30, 2020, the Water Enterprise had outstanding commitments with third parties of $208.8 million for various capital projects and for materials and supplies.

**Environmental Issue –** As of June 30, 2020, the total pollution remediation liability was $1.6 million, consisting of $1.3 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and $0.3 million for the 17th and Folsom site.

**Transactions with Other Funds –** The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $34.6 million and $9.9 million, respectively, for the year ended June 30, 2020, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $16.6 million for the year ended June 30, 2020 and have been included in services provided by other departments.

### (d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. In May 2016, the City launched CleanPowerSF to provide green electricity from renewable sources to its residential and commercial customers. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in





the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 86.4% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 13.6% balance of electricity is sold to CleanPowerSF and other utility districts. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the other utility districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

**Segment Information** – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

| **Condensed Statements of Net Position** | Hetch Hetchy Water | Hetch Hetchy Power | CleanPower SF | Elimination | Total |
|---|---|---|---|---|---|
| Assets*: | | | | | |
| Current assets | $ 82,683 | $ 201,054 | $ 121,879 | $ - | $ 405,616 |
| Receivables from other funds and component units | 104 | 15,169 | - | (1,800) | 13,473 |
| Noncurrent restricted cash and investments | 9,768 | 11,855 | - | - | 21,623 |
| Other noncurrent assets | 156 | 767 | - | - | 923 |
| Capital assets | 160,782 | 445,429 | - | - | 606,211 |
| Total assets | 253,493 | 674,274 | 121,879 | (1,800) | 1,047,846 |
| Deferred outflows of resources: | | | | | |
| Pensions | 7,950 | 9,716 | 572 | - | 18,238 |
| Other postemployment benefits | 2,332 | 2,850 | 270 | - | 5,452 |
| Total deferred outflows of resources | 10,282 | 12,566 | 842 | - | 23,690 |
| Liabilities: | | | | | |
| Current liabilities | 6,769 | 99,621 | 24,991 | (1,800) | 129,581 |
| Noncurrent liabilities | 40,441 | 114,853 | 4,171 | - | 159,465 |
| Total liabilities | 47,210 | 214,474 | 29,162 | (1,800) | 289,046 |
| Deferred inflows of resources: | | | | | |
| Pensions | 4,335 | 5,298 | 1,210 | - | 10,843 |
| Other postemployment benefits | 1,195 | 1,461 | 1,211 | - | 3,867 |
| Total deferred inflows of resources | 5,530 | 6,759 | 2,421 | - | 14,710 |
| Net position: | | | | | |
| Net investment in capital assets | 160,782 | 322,204 | - | - | 482,986 |
| Restricted for capital projects | - | 142 | - | - | 142 |
| Restricted for debt service | 6,513 | - | - | - | 6,513 |
| Unrestricted | 43,740 | 143,261 | 91,138 | - | 278,139 |
| Total net position | $ 211,035 | $ 465,607 | $ 91,138 | $ - | $ 767,780 |

* Certain amounts presented herein have been reclassified from the Statement of Net Position

(Dollars in Thousands)

| Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position | Hetch Hetchy Water | Hetch Hetchy Power | CleanPower SF | Total |
|---|---|---|---|---|
| Operating revenues | $ 34,953 | $ 140,871 | $ 245,460 | $ 421,284 |
| Depreciation expense | (5,276) | (15,723) | - | (20,999) |
| Other operating expenses | (39,597) | (132,404) | (196,026) | (368,027) |
| Operating income (loss) | (9,920) | (7,256) | 49,434 | 32,258 |
| Nonoperating revenues (expenses): | | | | |
| Federal and state grants | 2,859 | 1,885 | - | 4,744 |
| Interest and investment income | 1,932 | 5,746 | 1,771 | 9,449 |
| Interest expense | - | (2,740) | (69) | (2,809) |
| Other nonoperating revenues net of expenses | 991 | 22,289 | 1 | 23,281 |
| Transfers in (out), net | 14,000 | (32) | - | 13,968 |
| Change in net position | 9,862 | 19,892 | 51,137 | 80,891 |
| Net position at beginning of year | 201,173 | 445,715 | 40,001 | 686,889 |
| Net position at end of year | $ 211,035 | $ 465,607 | $ 91,138 | $ 767,780 |

| Condensed Statements of Cash Flows | Hetch Hetchy Water | Hetch Hetchy Power | CleanPower SF | Total |
|---|---|---|---|---|
| Net cash provided by (used in): | | | | |
| Operating activities | $ (2,517) | $ 23,457 | $ 56,924 | $ 77,864 |
| Noncapital financing activities | 18,182 | 21,714 | 1 | 39,897 |
| Capital and related financing activities | (19,071) | (59,902) | - | (78,973) |
| Investing activities | 1,816 | 5,847 | 1,187 | 8,850 |
| Increase (decrease) in cash and cash equivalents | (1,590) | (8,884) | 58,112 | 47,638 |
| Cash and cash equivalents at beginning of year | 89,658 | 211,169 | 25,415 | 326,242 |
| Cash and cash equivalents at end of year | $ 88,068 | $ 202,285 | $ 83,527 | $ 373,880 |

**Pledged Revenues –** Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2045-46 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.





The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, and applicable revenues for fiscal year 2019-20 are as follows:

| Hetch Hetchy Power | |
|---|---|
| Bonds issued with revenue pledge | $ 64,871 |
| Bond principal and interest remaining due at end of the fiscal year | 76,829 |
| Bond principal and interest paid in the fiscal year* | 4,743 |
| Net revenues | 34,522 |
| Funds available for revenue bond debt service | 80,561 |

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was $2,568.

**Commitments and Contingencies –** As of June 30, 2020, Hetch Hetchy had outstanding commitments with third parties of $103.5 million for various capital projects and other purchase agreements for materials and services.

**Hetch Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District and Turlock Irrigation District (collectively the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were $5.0 million in fiscal year 2019-20. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

**Hetch Hetchy Power**

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. Additionally, staff prepares regular reporting for the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays.

During fiscal year 2019-20, Hetch Hetchy Power purchased $9.3 million of distribution services and other support services from PG&E under the terms of the service agreements and Interconnection Agreements that implement the Wholesale Distribution Tariff.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2019-20, Hetchy Power purchased $2.0 million of power and other related products. There was $3.1 million power sales after meeting Hetch Hetchy's obligations in fiscal year 2019-20.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2019-20, the facility generated 6,877 MWh and rate was at $315/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2019-20, purchases of energy under the PPA were $2.1 million or 6,877 MWh.

**CleanPowerSF**

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. CleanPowerSF's obligation to maintain the reserve balance under the Calpine contract expired upon the payment of the final invoice on June 6, 2019 and did not have any reserve balance requirement in fiscal year 2019-20.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy and capacity with renewable energy sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide enrollment into the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales in fiscal year 2019-20 equaled $174.4 million.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed $5.6 million. On December 1, 2016, Noble Americas Energy Solutions was acquired by Calpine Corporation and was renamed Calpine Energy Solutions. Subsequently, CleanPowerSF's contract was assigned to Calpine Energy Solutions under its new name and ownership. In August 2018, CleanPowerSF exercised its option under the contract to extend the term for three years, through October 31, 2021, and increased the contract's not-to-exceed value to $18.8 million. During fiscal year 2019-20, amounts paid were $6.2 million.

In March 2018, CleanPowerSF entered into a five-year, $75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of $18.0 million as of June 30, 2020. There was no draw against the Credit Agreement during fiscal year 2019-20.

**Transactions with Other Funds** – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $34.6 million and purchased electricity for $9.9 million for the year ended June 30, 2020. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2019-20, $34.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise





purchases power from Hetch Hetchy Power totaling $10.8 million for the year ended June 30, 2020. Included in 2020 operating revenues are sales of power to departments within the City of $99.8 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately $11.0 million for the year ended June 30, 2020 and have been included in services provided by other departments.

For the year ended June 30, 2020, operating expenses include purchase of power from Hetchy Power to CleanPowerSF were $0.3 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $1.7 million for the year ended June 30, 2020.

**(e) San Francisco Municipal Transportation Agency**

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided $500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United States. It currently has more than 169 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center and Portsmouth. Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

***Pledged Revenue –*** In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2046-47.

(Dollars in Thousands)

Annual principal and interest payments for fiscal year 2019-20 were 25.1% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019-20, applicable net revenues, and funds available for bond debt service are as follows:

| | |
|---|---|
| Bonds issued with revenue pledge | $ 387,670 |
| Bond principal and interest remaining due at end of the fiscal year | 519,237 |
| Net revenues | 73,933 |
| Bond principal and interest paid in the fiscal year | 24,806 |
| Funds available for revenue bond debt service | 98,738 |

**Operating and Capital Grants and Subsidies** – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $474.0 million in fiscal year 2019-20. The General Fund subsidy includes a total revenue baseline transfer of $362.4 million, as required by the City Charter. In addition, SFMTA received $55.6 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City general funds to address transportation needs tied to the City population growth. In fiscal year 2019-20, SFMTA received $49.8 million from this source. In fiscal year 2019-20, SFMTA also received additional City General Fund allocation of $6.2 million to fund various capital projects such as the Chase Event Center and mixed-use development project and Lombard Street pricing and reservation system implementation.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2020, the SFMTA had various operating grants receivable of $51.9 million. In fiscal year 2019-20, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.9 million, and other federal, state, and local grants of $7.4 million, to fund project expenses that are operating in nature.

The SFMTA was awarded $373.8 million in Coronavirus Aid, Relief, and Economic Security Act funding distributed in two allocations. The first allocation was $197.2 million for fiscal year 2019-20 and the second allocation of $176.6 million will be available in fiscal year 2020-21. The SFMTA also received $2.4 million from the City for its share in Disaster Grants-Public Assistance funding from the Federal Emergency Management Agency.

Proposition 1B is a 10-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2007-08 and 2009-10. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2008-09 through 2010-11 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2014-15 to be further extended to June 30, 2020. The California state budget extended the remaining balances of fiscal year 2009-10 and 2011-12 to June 30, 2021 and the remaining balances of fiscal years 2014-15 through 2016-17 to June 30, 2022. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2019-20, $4.2 million in drawdowns were made from the funds for various eligible projects costs. Other allowable costs include incidental expenses,





but directly related to construction or acquisition including, but not limited to, planning, engineering, construction management, architectural and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties, as approved by Cal OES under the CTSGP funds. Indirect costs and management and administration are not allowable costs with Proposition1B funds.

**Commitments and Contingencies** – The SFMTA has outstanding commitments of approximately $319.8 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately $57.3 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

**(f) Laguna Honda Hospital**

**General Fund Subsidy -** The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2020, the subsidy for LHH was $81.0 million.

**Net Patient Services Revenue -** Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

**Third-Party Payor Agreements** - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

(Dollars in Thousands)

During the fiscal year ended June 30, 2020, LHH's patient receivables and charges for services were as follows:

**Patient Receivables, net**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Accounts Receivable | $ 115,253 | $ 8,807 | $ 854 | $ 124,914 |
| Less: | | | | |
| Provision for Contractual Allowances | (75,396) | (5,762) | (559) | (81,717) |
| Total, net | $ 39,857 | $ 3,045 | $ 295 | $ 43,197 |

**Net Patient Service Revenue**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Revenue | $ 459,333 | $ 32,302 | $ 3,133 | $ 494,768 |
| Less: | | | | |
| Provision for Contractual Allowances | (269,202) | (23,785) | (4,071) | (297,058) |
| Total, net | $ 190,131 | $ 8,517 | $ (938) | $ 197,710 |

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2020, LHH accrued and recognized $26.8 million of revenue as a result of matching federal funds to local funds.

**Unearned Credits and Other Liabilities** - As of June 30, 2020, LHH recorded approximately $53.1 million in other liabilities for third-party payor settlements payable.

**Transactions with Other Funds –** A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $12.6 million for the year ended June 30, 2020 and have been included in services provided by other departments.

As of June 30, 2020, LHH had entered into various purchase contracts totaling $0.4 million that are related to the old building remodel phase of the Replacement Project.

**(g) San Francisco General Hospital**

**General Fund Subsidy -** San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2020, the subsidy for SFGH was $68.1 million.





**Net Patient Service Revenue -** Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

**Third-Party Payor Agreements** - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2020, SFGH's patient receivables and charges for services were as follows:

**Patient Receivables, Net**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Accounts Receivable | $ 247,524 | $ 260,982 | $ 108,614 | $ 617,120 |
| Less: | | | | |
| Contractual Allowance | (235,930) | (247,120) | (57,524) | (540,574) |
| Provision for Bad Debts | - | - | (10,991) | (10,991) |
| Total, Net Accounts Receivable | $ 11,594 | $ 13,862 | $ 40,099 | $ 65,555 |

**Net Patient Service Revenue**

| | Medi-Cal | Medicare | Other | Total |
|---|---|---|---|---|
| Gross Patient Service Revenue | $ 1,872,989 | $ 1,006,688 | $ 979,812 | $ 3,859,489 |
| Less: | | | | |
| Contractual Allowance | (1,550,510) | (858,623) | (429,366) | (2,838,499) |
| Bad Debt Write Offs | - | - | (136,017) | (136,017) |
| Total, Net Patient Service Revenue | $ 322,479 | $ 148,065 | $ 414,429 | $ 884,973 |

(Dollars in Thousands)

California's initial Section 1115 Medicaid Waiver (Waiver), titled the "Medi-Cal 2020" began in December 30, 2015. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal) by providing California public hospitals federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. California's Medicaid Waiver is a fundamental component of public hospitals' ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion. In addition to fee-for-service cost-based reimbursements for inpatient hospital services, Medi-Cal 2020 waiver features four main programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which is a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to state and federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under current and previous Medi-Cal Waivers is approximately $176.6 million for the year ended June 30, 2020.

In addition, SFGH is reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2020, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

In March 2020, CMS approved California's Designated Public Hospital Medicaid GME program retroactive to January 1, 2017. SFGH received payments in the amount of $48.5 million for the program period between January 1, 2017 through June 30, 2020 in the year ended June 30, 2020.

**Unearned Credits and Other Liabilities** - As of June 30, 2020, SFGH recorded approximately $292.6 million in unearned credits and other liabilities, which was comprised of $228.9 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and $63.1 million in third-party settlements payable.

**Charity Care** - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $361.7 million and estimated costs and expenses to provide charity care were $92.8 million in fiscal year 2019-20.

**Other Revenues –** With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. A final reconciliation has been conducted for fiscal year 2017-18 showing no realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2021 for fiscal year 2018-19. For the year ended June 30, 2020, SFGH recognized $54.1 million of realignment funding.





**Contracts with the University of California San Francisco** – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2020, was approximately $190.7 million.

**Gift –** From fiscal year 2014-15 through fiscal year 2015-16, SFGH received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2020, SFGH has spent $47.2 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $15.2 million as restricted net position.

**Commitments and Contingencies** – As of June 30, 2020, SFGH had outstanding commitments with third parties for capital projects totaling $2.9 million.

### (h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2020, the Wastewater Enterprise serves approximately 148,336 residential accounts, which discharge about 16.9 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 26,180 non-residential accounts, which discharge about 6.8 million units of sanitary flow per year.

**Pledged Revenues** – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds and State Revolving Fund loans. Proceeds, from the bonds and State Revolving Fund, provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2049 and 2050.

The original amount of revenue bonds issued and State Revolving Fund loans, total principal and interest remaining, principal and interest paid during fiscal year 2019-20, applicable net revenues, and funds available for bond debt service are as follows:

| | |
|---|---|
| Bonds issued with revenue pledge | $ 1,667,095 |
| Clean Water State Revolving Fund (CWSRF) loans with revenue pledge | 91,213 |
| Bond principal and interest remaining due at end of the fiscal year | 2,647,000 |
| Bond principal and interest paid in the fiscal year | 62,799 |
| Net revenues | 166,082 |
| Funds available for revenue bond and loans debt service | 381,804 |

(Dollars in Thousands)

**Commitments and Contingencies –** As of June 30, 2020, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $453.1 million.

**Pollution Remediation Obligations –** As of June 30, 2020, the Wastewater Enterprise recorded $7.8 million in pollution remediation liability, consisting of $7.8 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

**Transactions with Other Funds** – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $10.8 million for the year ended June 30, 2020. The Wastewater Enterprise purchased water from Water Enterprise totaling $1.5 million for the year ended June 30, 2020. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $12.8 million for the year ended June 30, 2020. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $12.2 million for the year ended June 30, 2020 and have been included in services provided by other departments.





## (14) Successor Agency to the Redevelopment Agency of the City and County of San Francisco

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

### (a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2020, the summary of changes in capital assets is as follows:

| | Balance June 30, 2019 | Additions | Deletions | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land held for lease | $ 18,525 | $ - | $ (5,853) | $ (8,520) | $ 4,152 |
| Capital assets being depreciated: | | | | | |
| Furniture and equipment - General | 2,306 | - | - | - | 2,306 |
| Less accumulated depreciation for: | | | | | |
| Furniture and equipment | (2,293) | (9) | - | - | (2,302) |
| Total capital assets being depreciated, net | 13 | (9) | - | - | 4 |
| Total capital assets, net | $ 18,538 | $ (9) | $ (5,853) | $ (8,520) | $ 4,156 |

(Dollars in Thousands)

**(b) Summary of the Successor Agency's Long-Term Obligations**

| Entity and Type of Obligation | Final Maturity Date | Remaining Interest Rate | Amount |
|---|---|---|---|
| Hotel tax revenue bonds [(a)] | 2025 | 5.00% | $ 19,740 |
| Tax allocation revenue bonds [(b)] | 2047 | 2.00% - 8.41% | 800,379 |
| Total long-term bonds and loans | | | $ 820,119 |

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

**Pledged Revenues for Bonds** – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.36 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2020, were $156.5 million against the total debt service payment of $96.5 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $22.8 million. The hotel tax revenue recognized during the year ended June 30, 2020 was $0.6 million against the total debt service payment of $4.5 million.

**Events of Default and Remedies** – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.





The changes in long-term obligations for the Successor Agency for the year ended June 30, 2020, are as follows:

| | July 1, 2019 | Additional Obligations, Interest Accretion and Net Increases | Current Maturities, Retirements, and Net Decreases | June 30, 2020 |
|---|---|---|---|---|
| Bonds payable: | | | | |
| Tax revenue bonds | $ 859,951 | $ - | $ (59,572) | $ 800,379 |
| Hotel Tax Revenue Bonds | 23,105 | - | (3,365) | 19,740 |
| Less unamortized amounts: | | | | |
| For issuance premiums | 45,522 | - | (2,546) | 42,976 |
| For issuance discounts | (2,947) | - | 142 | (2,805) |
| Total bonds payable | 925,631 | - | (65,341) | 860,290 |
| Accreted interest payable | 66,432 | 9,030 | (3,098) | 72,364 [(1)] |
| Notes, loans, and other payables | - | - | - | - |
| Accrued vacation and sick leave pay | 1,149 | 819 | (753) | 1,215 |
| Successor Agency - long-term obligations | $ 993,212 | $ 9,849 | $ (69,192) | $ 933,869 |

[(1)] Amounts represent interest accretion on Capital Appreciation Bonds.

As of June 30, 2020, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

| | Tax Allocation Revenue Bonds | | Hotel Occupancy Tax Revenue Refunding Bonds | |
|---|---|---|---|---|
| June 30, | Principal | Interest * | Principal | Interest |
| 2021 | $ 61,482 | $ 35,839 | $ 3,510 | $ 987 |
| 2022 | 58,882 | 36,145 | 3,690 | 812 |
| 2023 | 50,188 | 42,255 | 3,865 | 627 |
| 2024 | 32,834 | 43,201 | 4,220 | 434 |
| 2025 | 33,071 | 42,900 | 4,455 | 222 |
| 2026-2030 | 153,101 | 146,485 | - | - |
| 2031-2035 | 156,677 | 117,308 | - | - |
| 2036-2040 | 140,781 | 69,004 | - | - |
| 2041-2045 | 96,583 | 29,177 | - | - |
| 2046-2047 | 16,780 | 849 | - | - |
| Total | $ 800,379 | $ 563,163 | $ 19,740 | $ 3,082 |

* Including payment of accreted interest.

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of $1.8 million to the City during the year ended June 30, 2020, and the outstanding payable balance was $4.7 million.

**(c) Commitments and Contingencies Related to the Successor Agency**

**Encumbrances -** At June 30, 2020, the Successor Agency had outstanding encumbrances totaling approximately $10.6 million.

**Risk Management -** The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

**Operating Leases** - The Successor Agency has cancelable operating leases for its office site. For the year ended June 30, 2020, the Successor Agency reported operating lease rental income from noncancelable operating leases of $1.0 million. The lease rental income was recorded as a component of charges for services on the statement of changes in fiduciary net position.

**Notes and Mortgages Receivable –** During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2020, the Successor Agency disbursed $43.4 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2020, the gross value of the notes and mortgage receivable was $257.0 million and the allowance for uncollectible amounts was $255.5 million.

**Special Assessment Debt without Commitment -** Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2020, the Successor Agency had outstanding community facility district bonds totaling $167.3 million.

**Transbay Transit Center Agreements -** In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2020, the Successor Agency distributed $9.0 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.





**(15) TREASURE ISLAND DEVELOPMENT AUTHORITY**

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by the seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2026. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway. The first residential project on Yerba Buena Island, a 124-unit condominium building, began construction in June 2019 and is expected to be ready for occupancy in 2021. Geotechnical improvement of soil conditions in the first subphase area on Treasure Island was substantially completed in 2020 and the construction of new utility and roadway infrastructure is underway. The first residential project on Treasure Island – a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares – will break ground in the third quarter of 2020.

TICD has submitted a Street Improvement Permit (SIP) application and initiated the subdivision mapping process for the third subphase area with the objective of securing SIP and final subdivision map approval in the first quarter of 2021. The demolition of structures and isolation of utilities in this area will commence in the second half of 2020 in anticipation of the SIP approval. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2020, TIDA has the following payables to other City departments:

| | | 6/30/2020 | | |
|---|---|---|---|---|
| Payable to | Purpose | Current | Noncurrent | Total |
| SFCTA | YBI and mobility management expenses | $ 1,764 | $ - | $ 1,764 |
| General Fund | Cash coverage | 8,752 | - | 8,752 |
| Hetch Hetchy | Energy efficiency project | - | 6,581 | 6,581 |
| | | $ 10,516 | $ 6,581 | $ 17,097 |



CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2020
(Dollars in Thousands)

## (16) Interfund Receivables, Payables, and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2020 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 5,490 |
| | San Francisco Water Enterprise | 606 |
| | Hetch Hetchy Water and Power | 480 |
| | Municipal Transportation Agency | 113 |
| | San Francisco Wastewater Enterprise | 2 |
| | San Francisco International Airport | 221 |
| | | 6,912 |
| Nonmajor Governmental Funds | General Fund | 39 |
| | Nonmajor Governmental Funds | 10,673 |
| | Internal Service Funds | 20 |
| | Municipal Transportation Agency | 324 |
| | Port of San Francisco | 3,072 |
| | San Francisco Water Enterprise | 68 |
| | | 14,196 |
| San Francisco Water Enterprise | General Fund | 32 |
| | Nonmajor Governmental Funds | 218 |
| | Port of San Francisco | 91 |
| | | 341 |
| Hetch Hetchy Water and Power Enterprise | General Fund | 959 |
| | Nonmajor Governmental Funds | 5,086 |
| | San Francisco Wastewater Enterprise | 847 |
| | | 6,892 |
| Municipal Transportation Agency | Nonmajor Governmental Funds | 37,178 |
| Port of San Francisco | Nonmajor Governmental Funds | 60 |
| | Hetch Hetchy Water and Power Enterprise | 369 |
| | | 429 |
| San Francisco Wastewater Enterprise | Nonmajor Governmental Funds | 190 |
| | Port of San Francisco | 239 |
| | | 429 |
| **Total** | | $ 66,377 |

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2020, Hetch Hetchy loaned $5.1 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of $37.2 million for capital and operating grants.

**Due from component units:**

| Receivable Entity | Payable Entity | Amount | |
|---|---|---|---|
| General Fund | Component unit – TIDA | $ 8,752 | (1) |
| Nonmajor Governmental Funds | Component unit – TIDA | 1,764 | (1) |
| Primary government - General fund | Successor Agency | 11 | (2) |
| Nonmajor Governmental Funds | Successor Agency | 5,199 | (2) |

**Advance to component units:**

| Receivable Entity | Payable Entity | Amount | |
|---|---|---|---|
| Hetch Hetchy Water and Power Enterprise | Component unit – TIDA | $ 6,581 | (1) |
| Nonmajor Governmental Funds | Successor Agency | 4,669 | (2) |

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

| | Transfers In: Funds (in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Transfers Out: Funds** | General Fund | Nonmajor Govern-mental Funds | Water Enterprise | Hetch Hetchy Water and Power Enterprise | Municipal Transporta-tion Agency | San Francisco General Hospital Medical Center | Wastewater Enterprise | Port of San Francisco | Laguna Honda Hospital | Total |
| General Fund | $ - | $ 523,300 | $ 1,220 | $ - | $ 473,968 | $ 68,106 | $ 280 | $ - | $ 90,948 | $ 1,157,822 |
| Nonmajor Governmental Funds | 23,719 | 87,089 | - | - | 59,386 | - | - | 52,309 | - | 222,503 |
| Internal Service Funds | 516 | - | - | - | - | - | - | - | - | 516 |
| San Francisco International Airport | 33,743 | - | - | - | - | - | - | - | - | 33,743 |
| Water Enterprise | - | 590 | - | 14,000 | 215 | - | - | - | - | 14,805 |
| Hetch Hetchy Water and Power Enterprise | - | 32 | - | - | - | - | - | - | - | 32 |
| San Francisco General Hospital Medical Center | 18,626 | - | - | - | - | - | - | - | - | 18,626 |
| Wastewater Enterprise | - | 1,468 | - | - | - | - | - | - | - | 1,468 |
| Port of San Francisco | - | 63 | - | - | - | - | - | - | - | 63 |
| Laguna Honda Hospital | 11,014 | 1,231 | - | - | - | 1,000 | - | - | - | 13,245 |
| Total transfers out | $ 87,618 | $ 613,773 | $ 1,220 | $ 14,000 | $ 533,569 | $ 69,106 | $ 280 | $ 52,309 | $ 90,948 | $ 1,462,823 |

The $1.16 billion General Fund transfer out includes a total of $623.1 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $523.3 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.





San Francisco International Airport transferred $33.7 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of $5.0 million for interest earned by the SFGH but credited to the General Fund and $11.6 million to re-appropriate funds within DPH. The General Fund also received $2.0 million from SFGH and $2.0 million from Laguna Honda Hospital to fund the DPH project and $1.1 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. Laguna Honda Hospital transferred $0.5 million to General Fund for fiscal year 2019-20 projected shortfall and $7.4 million to the General Fund to re-appropriate funds within DPH. SFGH received $1.0 million from Laguna Honda Hospital to supplement SFGH material and supplies budget.

SFMTA received $59.4 million transfers from nonmajor governmental funds, of which $44.1 million was for capital activities and $15.3 million was for operating activities.

The Water Enterprise transferred $14.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, $558 to the Art Commission for art enrichment, $215 to SFMTA for water conservation projects, and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received $1.2 million from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred $1.4 million to the Art Commission for integrated artworks at the Headworks Facility, and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Wastewater Enterprise received $240 contingency release from General Fund related to the Land Reuse of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant") and $40 for the Sidewalk Garden Grants Project.

The Hetch Hetchy Water and Power Enterprise transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Port of San Francisco received $52.3 million transfer in, of which include $0.3 million for Port's capital project, $3.1 million and $48.9 million of proceeds from the 2012 San Francisco Clean and Safe Neighborhood Parks Bond and 2018 Embarcadero Seawall Earthquake Safety Bond, respectively, for waterfront projects. The Port of San Francisco transferred $63 to the Office of the City Administrator for the Surety Bond Program.

## (17) COMMITMENTS AND CONTINGENT LIABILITIES

### Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

| Fiscal Years | |
|---|---|
| 2021 | $ 66,495 |
| 2022 | 56,531 |
| 2023 | 45,360 |
| 2024 | 33,781 |
| 2025 | 25,103 |
| 2026-2030 | 46,942 |
| 2031-2035 | 15,308 |
| 2036-2040 | 8,463 |
| 2041-2045 | 1,128 |
| Total | $ 299,111 |

Operating lease expense incurred for governmental activities for fiscal year 2019-20 was approximately $66.3 million.

Business-type Activities

| Fiscal Years | Airport | Port | SFMTA | Total Business-type Activities |
|---|---|---|---|---|
| 2021 | $ 209 | $ 2,723 | $ 4,799 | $ 7,731 |
| 2022 | 213 | 2,723 | 3,519 | 6,455 |
| 2023 | 193 | 2,723 | 3,038 | 5,954 |
| 2024 | 75 | 2,723 | 2,400 | 5,198 |
| 2025 | 75 | 2,723 | 2,270 | 5,068 |
| 2026-2030 | - | 13,616 | 8,510 | 22,126 |
| 2031-2035 | - | 13,616 | 6,250 | 19,866 |
| 2036-2040 | - | 13,616 | 6,250 | 19,866 |
| 2041-2045 | - | 13,616 | 6,250 | 19,866 |
| 2046-2050 | - | 13,616 | 13,333 | 26,949 |
| 2051-2055 | - | 13,616 | - | 13,616 |
| 2056-2060 | - | 13,616 | - | 13,616 |
| 2061-2065 | - | 11,120 | - | 11,120 |
| Total | $ 765 | $ 120,047 | $ 56,619 | $ 177,431 |

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2019-20 was $0.6 million, $2.7 million, and $25.4 million, respectively.





Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

| Fiscal Years | |
|---|---|
| 2021 | $ 5,942 |
| 2022 | 5,247 |
| 2023 | 4,583 |
| 2024 | 4,150 |
| 2025 | 4,100 |
| 2026-2030 | 18,671 |
| 2031-2035 | 17,960 |
| 2036-2040 | 17,960 |
| 2041-2045 | 17,960 |
| 2046-2050 | 3,020 |
| Total | $ 99,593 |

Business-type Activities

| Fiscal Years | Airport | Port | SFGH | SFMTA | Total Business-type Activities |
|---|---|---|---|---|---|
| 2021 | $ 44,106 | $ 54,325 | $ 1,704 | $ 21,609 | $ 121,744 |
| 2022 | 41,422 | 47,305 | 1,755 | 8,370 | 98,852 |
| 2023 | 34,030 | 39,933 | 1,807 | 8,398 | 84,168 |
| 2024 | 24,192 | 31,312 | 1,862 | 5,985 | 63,351 |
| 2025 | 20,859 | 26,640 | 1,917 | 4,531 | 53,947 |
| 2026-2030 | 52,714 | 114,790 | 10,485 | 22,337 | 200,326 |
| 2031-2035 | 3,770 | 96,795 | - | 14,393 | 114,958 |
| 2036-2040 | - | 70,623 | - | 1,722 | 72,345 |
| 2041-2045 | - | 56,467 | - | 1,993 | 58,460 |
| 2046-2050 | - | 42,545 | - | 13,786 | 56,331 |
| 2051-2055 | - | 14,883 | - | - | 14,883 |
| 2056-2060 | - | 14,174 | - | - | 14,174 |
| 2061-2065 | - | 14,174 | - | - | 14,174 |
| 2066-2070 | - | 8,787 | - | - | 8,787 |
| 2071-2075 | - | 5,242 | - | - | 5,242 |
| 2076-2080 | - | 1,407 | - | - | 1,407 |
| Total | $ 221,093 | $ 639,402 | $ 19,530 | $ 103,124 | $ 983,149 |

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $11.0 million and $13.5 million, respectively, in fiscal year 2019-20. Airport's concession agreements provide that the Minimum Annual Guarantee (MAG) does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG is reinstated once monthly enplanements equal or exceed 80% for the reference month enplanement for two consecutive months. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014, and the five Rental Car Center Operations Leases subsequently went into a holdover term on a month-to-month basis commencing January 1, 2019. On October 1, 2019, the Airport Commission authorized an extension of such holdover tenancies through August 31, 2020 to allow for the completion of the On-Airport Rental Car Operation Lease Agreement Request for Bids process. Effective September 1, 2020, new five-year leases, with one additional two-year extension option, commenced with five rental car companies. Currently, rent is being calculated at 10% of gross revenues due to the recent reduction in passenger activity. Once passenger activity returns to higher levels, a MAG rent of $47.2 million will be in effect, and rent will be based on the greater of MAG or 10% of gross revenues. The MAG attributable to the rental car companies was $0 for the year ended June 30, 2020.

(Dollars in Thousands)

**Other Commitments**

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.38 billion, private equity in the amount of $3.52 billion, private credit in the amount of $1.60 billion, and absolute return investments in the amount of $302.9 million, which totaled $7.80 billion at June 30, 2020.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

## (18) RISK MANAGEMENT

**Risk Retention Program Description**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries aviation liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per single occurrence and a deductible of $500 per single occurrence. This policy includes flood coverage up to a $10.0 million sub-limit and business interruption coverage up to a $100.0 million pooled sub-limit. The Airport carries public officials' liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels, active assailant liability insurance, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor does it carry insurance or self-insure against any risks due





to land movement or seismic activity. The Airport's purchase of War Perils Liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2020): 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $1.1 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for Port facilities, subject to a maximum of $100.0 million and a deductible of $5.0 million per occurrence; and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

| Risks | Coverage |
|---|---|
| a. General/Transit Liability | Self-insured |
| b. Property | Self-insured and purchase insurance |
| c. Workers' Compensation | Self-insured |
| d. Employee (transit operators) | Purchase insurance |
| e. Directors and Officers | Purchase insurance |

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. The annual budget for claims was $11.9 million for fiscal year 2020. As of June 30, 2020, the reserve was $29.4 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

(Dollars in Thousands)

**Estimated Claims Payable**

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2020 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2018, resulted from the following activity:

| Fiscal Year | Beginning Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|---|---|---|---|---|
| 2018-2019 | $ 385,011 | $ 28,608 | $ (70,118) | $ 343,501 |
| 2019-2020 | 343,501 | 77,433 | (82,260) | 338,674 |

Breakdown of the estimated claims payable at June 30, 2020 is follows:

| | |
|---|---|
| Governmental activities: | |
| Current portion of estimated claims payable........................ | $ 71,454 |
| Long-term portion of estimated claims payable.................... | 122,683 |
| Total ........................................................................ | $ 194,137 |
| Business-type activities: | |
| Current portion of estimated claims payable........................ | $ 78,970 |
| Long-term portion of estimated claims payable.................... | 65,567 |
| Total ........................................................................ | $ 144,537 |

**Workers' Compensation**

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2020 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2020 was $524.6 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2018, resulted from the following activity:

| Fiscal Year | Beginning Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|---|---|---|---|---|
| 2018-2019 | $ 463,562 | $ 144,716 | $ (99,920) | $ 508,358 |
| 2019-2020 | 508,358 | 117,671 | (101,402) | 524,627 |





Breakdown of the accrued workers' compensation liability at June 30, 2020 is as follows:

| | |
|---|---|
| Governmental activities: | |
| Current portion of accrued workers' compensation liability...... | $ 55,003 |
| Long-term portion of accrued workers' compensation liability.. | 237,128 |
| Total ........................................................................ | $ 292,131 |
| Business-type activities: | |
| Current portion of accrued workers' compensation liability...... | $ 40,589 |
| Long-term portion of accrued workers' compensation liability.. | 191,907 |
| Total ........................................................................ | $ 232,496 |

## (19) SUBSEQUENT EVENTS

### (a) Debt Issuance

In August 2020, the Airport issued $291.3 million of its Series 2020A, Series 2020B, and Series 2020C bonds for the purpose of funding deposits to a debt service reserve account, paying costs of issuance, current refunding $210.6 million in outstanding Bonds, and advance refunding $126.5 million in outstanding Bonds. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A", and "A+" to these bonds. In connection with this transaction, $9.2 million was transferred from the 2009 Reserve Account to the escrow for the Series 2010D Bonds and the 2009 Reserve Account was closed.

In September 2020, the City issued General Obligation Bonds Series 2020B (Transportation and Road Improvement) (the Series 2020B Bonds) in the amount of $135.8 million. The Series 2020B Bonds bear an interest rate of 2.0% and will mature in June 2040. The Series 2020B Bonds were issued to provide funds to construct, redesign and rebuild streets and sidewalks and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel time, enhance pedestrian and bicycle safety, and improve disabled access, and to pay certain cost related to the issuance of the Series 2020B Bonds.

In September 2020, the City issued $97.5 million of taxable CP with an interest rate of 0.24% and maturity of January 2021, and $23.2 million of tax-exempt CP with an interest rate of 0.17%, with maturity of November 2020. The taxable CP was issued to refund $97.4 million of maturing CP used to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects and acquisition of real property for the Hall of Justice project. The tax-exempt CP was issued to refund $22.6 million of maturing CP issued to finance the costs of the acquisition of furniture, fixtures and equipment for the San Francisco General Hospital and the costs of acquisition, construction, and improvement of an animal care and control facility to be located within the City.

In September 2020, the SFPUC issued its San Francisco Water Revenue Bonds, 2020 Sub-Series A (WSIP, Tax-exempt) (Green Bonds), Sub-Series B (Regional Water, Tax-exempt), Sub-Series C (Local Water, Tax-exempt), and Sub-Series D (Hetch Hetchy Water, Tax-exempt) together with an aggregate principal of $346.8 million to: refund approximately $229.8 million aggregate principal amount of commercial paper notes issued pursuant to the Water Enterprise's commercial paper program to finance or refinance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC's Water System Improvement Program (WSIP) and the Hetchy Water Program; and $164.6 million new money to finance a portion of the design, acquisition and construction of various capital projects of benefit to the Water Enterprise.

In October 2020, the SFPUC issued its San Francisco Water Revenue Bonds, 2020 Sub-Series E (Taxable Refunding – WSIP, Green Bonds), Sub-Series F (Taxable Refunding – Non-WSIP), Sub-

Series G (Taxable Refunding – Local Water), and Sub-Series H (Taxable Refunding Hetch Hetchy Water) in an aggregate principal amount of $664.4 million to advance refund all or a portion of various series of the SFPUC's outstanding bonds.

In November 2020, the City rolled-over $11.8 million of tax-exempt CP issued for capital equipment for the San Francisco General Hospital with an interest rate of 0.16% and maturity of December 15, 2020; and paid down $11.4 million of tax-exempt CP issued for the costs of acquisition, construction, and improvement of an animal care and control facility to be located within the City.

In November 2020, the City issued Tax-Exempt General Obligation Bonds (Public Health and Safety) Series 2020D-1 (the Series 2020D-1 Bonds) and Taxable General Obligation Bonds (Public Health and Safety) Series 2020D-2 (the Series 2020D-2 Bonds) in the amount of $111.9 million and $15.0 million, respectively. The Series 2020D-1 Bonds bear interest rates of 4.0% and 5.0% and will mature in June 2045 and the Series 2020D-2 Bonds bear an interest rate of 0.3% and will mature in December 2020. The proceeds of the Series 2020D-1 and the Series 2020D-2 Bonds will be used finance certain public health and safety improvements and related costs, pay capitalized interest through June 2021 and to pay certain costs related to the issuance of the 2020D-1 and the 2020D-2 Bonds.

In November 2020, the City issued $70.6 million Refunding Certificates of Participation Series 2020-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation, the proceeds of which financed various capital projects of the City and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.0% to 5.0% and will mature from October 2021 through October 2033.

In November 2020, the City issued the 2020 Certificates of Participation (Animal Care and Control Project) (the Certificates) in the amount of $47.1 million, the proceeds of which will be used to: finance or refinance the costs of the acquisition, construction and installation of improvements to the new San Francisco Animal Care and Control facility; retire certain commercial paper certificates of participation of the City, the proceeds of which, financed or refinanced a portion of the cost of the Project; fund the Reserve Fund established under the Trust Agreement for the Certificates; pay capitalized interest through April 2021 and pay costs of issuance of the Certificates. The Series 2020 Certificates bear interest rates of 4.0% and 5.0% with principal amortizing from April 2022 through April 2041.

In December 2020, the City issued General Obligation Bonds Series 2020C (Affordable Housing-Preservation and Seismic Safety) in the amount of $102.6 million with interest rates ranging from 0.219% to 3.084% and with maturity from June 2021 through June 2060. The Series 2020C bonds were issued to fund loans that finance the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing, and pay certain costs related to the issuance of the Series 2020C bonds.

In December 2020, the City issued $4.2 million of taxable CP with an interest rate of 0.16% and maturity of January 2021 to provide new money for improvements on the Hall of Justice project. The City rolled-over $9.9 million and paid down $1.9 million of tax-exempt CP issued to finance the costs of the acquisition of furniture, fixtures and equipment for the San Francisco General Hospital with interest rates of 0.13% and 0.14% and maturity of January 2021.

In January 2021, the City issued $101.8 million of taxable CP with an interest rate of 0.12% and maturity of March 2021, and $9.9 million of tax-exempt CP with an interest rate of 0.10%, with maturity of March 2021. The taxable CP was issued to refund $101.7 million of maturing CP used to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects and acquisition of real property and improvement for the Hall of Justice project. The tax-exempt CP was issued to refund $9.9 million of maturing CP used to finance the costs of the acquisition of furniture, fixtures and equipment for the San Francisco General Hospital.





**(b) Elections**

On November 3, 2020, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

**Proposition A** – An ordinance that authorizes the City to issue $487.5 million in General Obligation Bonds to finance the acquisition or improvement of real property, including to: stabilize, improve, and make permanent investments in supportive housing facilities, shelters and/or facilities that deliver services to persons experiencing mental health challenges, substance abuse disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other public right-of - way and related assets; and to pay related costs.

**Proposition B** – An ordinance that amends the City Charter to create a Department of Sanitation and Streets with oversight from a Sanitation and Streets Commission, and to establish a Public Works Commission to oversee the Department of Public Works.

**Proposition E** – An ordinance that amends the City Charter to remove the requirement that the San Francisco Police Department maintain a minimum of 1,971 full-duty sworn officers and replace the requirement with regular evaluations of police staffing levels.

**Proposition F** - An ordinance that amends the City's existing Business Tax and Regulation Code in a number of ways, including discontinuing the City's payroll expense tax, increasing gross receipts business tax rates, and increasing the number of small businesses exempted from the business tax. Overall business tax rates on some industries are increased, generally phased in over three years beginning in tax years 2022. Temporary rate reductions for tax years 2021, 2022 and 2023 and are proposed for other industries heavily impacted by current economic conditions, including those paid by the hospitality, restaurant, and retail sectors. The ordinance authorizes contingent taxes that would be imposed if two currently assessed dedicated taxes for homeless services and childcare are struck down by court action. The proposed replacement taxes are similar in structure to those dedicated taxes. The measure excludes revenues generated by those contingent taxes from the calculation of various required voter-adopted minimum spending requirements on transit, parks, youth services, and other set-asides and baselines.

**Proposition H** – An amendment to the Planning Code for neighborhood commercial districts to increase permissible uses, eliminate public notification processes for new permitted uses, and require an expedited process for permits.

**Proposition I** – An ordinance that permanently increases the transfer tax rate on sales and leases of 35 years or more of real estate, to 5.50% on those transactions of $10 million to $25 million, and to 6.00% on those transactions of $25 million or more, for an estimated average revenue of $196 million a year.

**Proposition K** – An ordinance that authorizes the City to own, develop, construct, acquire or rehabilitate up to 10,000 units of low-income rental housing in San Francisco.

**Proposition L** – An ordinance that creates an additional tax permanently on some businesses in San Francisco when their highest-paid managerial employee earns more than 100 times the median compensation paid to their employees in San Francisco, where the additional tax rate would be between 0.1%-0.6% of gross receipts or between 0.4%-2.4% of payroll expense for those businesses in San Francisco, for an estimated revenue of between $60-$140 million a year.

**(c) Others**

**Financial Impact of COVID-19 Pandemic**

A new coronavirus strain, SARS-CoV-2, caused the disease termed COVID-19, which began to spread in Asia in late 2019 and to the United States and other parts of the world by early 2020. The first case was reported in the Bay Area in March 2020. In San Francisco, the Mayor and Public Health Director, together with other Bay Area counties, imposed a shelter-in-place order on March 16, 2020. The State of California took similar steps statewide shortly thereafter. These orders required the closure of all non-essential businesses in the City and required other limitation of social interactions. All private and public schools in the City suspended in-person sessions in March 2020.

The economic impacts in the City in the fourth quarter of fiscal year 2019-20 were profound. This loss of economic activity resulted in significant losses of tax revenues during fiscal year 2019-20 for economically sensitive revenue streams. Hotel, sales, and parking taxes for the final quarter of fiscal year 2019-20 declined by 80 percent, 7 percent, and 22 percent, respectively, versus the previous quarter. These losses were limited to the final quarter of the fiscal year, and were offset by less immediately impacted General Fund revenue sources, resulting in overall General Fund revenue losses of $417 million, or 7 percent, compared to the prior fiscal year. These losses were offset by expenditure reductions and a limited draw on the City's discretionary reserves, implemented by the Mayor in May 2020.

During fiscal year 2019-20, the City received approximately $378.5 million in the General Fund in various federal grants (primarily from the CARES Act and FEMA) to offset the economic impact of the pandemic, of which $76.2 million from unearned grant revenue received in advance is available to offset expenditures in fiscal year 2020-21.

**CARES Act Grant to the Airport**

The federal CARES Act became law on March 27, 2020 in response to the COVID-19 pandemic and the related decline in overall economic activity. The CARES Act provided for direct aid for airports, which will reimburse amounts spent for any lawful airport purpose, and in June 2020, the Airport executed a grant agreement with the FAA for approximately $254.8 million of such funds. The Airport expects to draw and receive this grant funding in fiscal year 2021.

**COVID-19 Emergency Rent Relief Program for Airport Concessions**

In October 2020, the Airport approved implementation of the "COVID-19 Emergency Rent Relief Program" to support the economic well-being of the Airport's concession operators. For food and beverage concessions, retail concessions and services concessions, the COVID-19 Emergency Rent Relief Program provides for the following: (1) a waiver of MAG rent for the months of March, April, and May 2020 (with percentage rent still due for March 2020), (2) a waiver of all fees for April and May 2020, and (3) a waiver of storage fees, food court cleaning fees, food court infrastructure fees, infrastructure reimbursement fees, marketing fees, and refuse fees for June through December 2020. For rental car concessions, Space Rent will be waived at the Rental Car Center for the months of March, April, and May 2020 and utilities fees for April and May 2020. The total value of the COVID-19 Emergency Rent Relief Program is estimated at $21.8 million. The implementation of the Program was approved by the Board of Supervisors in January 2021.





**COVID-19 Future Budget Impacts**

The pandemic's health, economic, and financial impacts have heightened during fiscal year 2020-21. In May 2020, the Controller's Office, the Mayor's Budget Office, and the Board of Supervisors Budget & Legislative Analyst's Office projected a combined $1.7 billion General Fund shortfall for fiscal year 2020-21 and fiscal year 2021-22. The Mayor proposed a budget to close this projected shortfall in August 2020. The final City budget was adopted by the Board in September 2020. The final adopted budget for the City was predicated on a gradual economic and tax revenue recovery beginning in late fiscal year 2020-21, and bridged this projected shortfall through use of reserves, reduction in capital and other citywide spending programs, inflationary cost controls, deferral of planned new programs, limited operating budget reductions, and voter-adoption of a business tax measure on the November 2020 ballot. This measure was approved by the voters, as were two other taxes that will provide some relief financial benefit to the City in years ahead.

**Credit Rating Changes**

In July 2020, S&P Global Ratings (S&P) took several rating actions with respect to the Airport's bonds. S&P lowered its rating on all the Airport's bonds, except Series 2010A, Series 2018B and Series 2018C, from "A+" to "A". S&P maintained its negative outlook on the rating. S&P also lowered its joint support long-term rating on the Airport's bonds, Series 2018B and Series 2018C from "AA+/A-1" to "AA/A-1". S&P affirmed the respective short-term ratings. S&P also lowered its underlying rating on these bonds from "A+" to "A". S&P maintained its negative outlook on the underlying rating. S&P also affirmed its respective joint support long-term rating and short-term rating of "AA+/A-1" on the Airport's bonds, Series 2010A. S&P lowered its underlying rating on these bonds from "A+" to "A". S&P maintained its negative outlook on the underlying rating.

In December 2020, Moody's Investors Service (Moody's) assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook.

**Subordinate Commercial Paper Notes**

The letter of credit provided by Royal Bank of Canada to support $25.0 million in Subordinate CP Notes by the Airport terminated by its terms on August 28, 2020. Effective August 31, 2020, the letter of credit provided by Barclays Bank PLC was increased by $25.0 million, to support $125.0 million in principal amount of Subordinate CP Notes, with the same expiration date of April 28, 2023.

**Hotel Special Facilities Bonds**

The financial performance of the on-Airport Hotel has been adversely affected by the COVID-19 pandemic, and since March 2020 the Hotel has been operating at a loss. Interest on the Hotel Special Facility Bonds is payable on each April 1 and October 1. There were not sufficient Hotel revenues available to pay the full $3.9 million October 1, 2020 interest payment. In September 2020, the Airport, through the trustee of the Hotel Special Facility Bonds Trust (the Trust Trustee), instructed the trustee for the Hotel Special Facility Bonds (the Hotel Bond Trustee) to suspend payment of interest due on the Hotel Special Facility Bonds on October 1, 2020, and to refrain from making any transfers of amounts in other funds and accounts held under the trust agreement for the Hotel Special Facility Bonds and taking other actions with respect to the October 1, 2020 interest payment until directed to do so. The Hotel Bond Trustee and the Trust Trustee have explicitly acknowledged that non-payment of the October 1, 2020 interest payment and the taking of actions or refraining from taking of actions by the Hotel Bond Trustee as so instructed by the Airport shall not constitute or result in a default or event of default under the trust agreement pursuant to which the Hotel Special Facility Bonds were issued.

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**
June 30, 2020
(Dollars in Thousands)

**Development Agreement for Balboa Reservoir Project**

In August 2020, the Board of Supervisors approved an ordinance that amended the Planning Code and Zoning Map to establish the Balboa Reservoir Special Use District. This ordinance will implement the land use controls for a previously approved Development Agreement between the City and Reservoir Community Partners, LLC for the Balboa Reservoir Projects (at the approximately 17.6-acre site located generally north of the Ocean Avenue commercial district, west of the City College of San Francisco Ocean Campus, east of the Westwood Park neighborhood, and south of Archbishop Riordan High School), with various public benefits, including 50% affordable housing and approximately four acres of publicly accessible parks and open space.

**Declaration of Emergency**

In October 2020, the Water Enterprise declared a departmental emergency related to the replacement and repair of fences that were damaged by the SCU Lightning Complex Fire. The emergency repair will require immediate contracting resources/facilities to begin work as soon as possible. Estimated costs are approximately $4.5 million.



# REQUIRED SUPPLEMENTARY INFORMATION

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Schedules of the City's Proportionate Share of the Net Pension Liability
June 30, 2020*
(Dollars in Thousands)

| | For the year ended June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.1288% | -0.1541% | 0.0230% | 0.2908% | 0.0002% |
| Proportionate share of the net pension liability (asset) | $ 4,213,809 | $ (15,793) | $ 2,352 | $ 29,803 | $ 25 |
| Covered payroll | $ 3,186,405 | $ 359 | $ 4,396 | $ 6,384 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 132.24% | -4399.16% | 53.50% | 466.84% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 85.30% | 72.26% | 75.26% | 75.26% | 75.26% |

| | For the year ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.1042% | -0.1573% | 0.0215% | 0.2820% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 4,030,207 | $ (15,154) | $ 2,069 | $ 27,178 | $ 28 |
| Covered payroll | $ 3,045,153 | $ 390 | $ 4,039 | $ 5,742 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 132.35% | -3885.64% | 51.22% | 473.32% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 85.20% | 72.26% | 75.26% | 75.26% | 75.26% |

| | For the year ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.0674% | -0.1388% | 0.0216% | 0.2751% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 4,697,131 | $ (13,766) | $ 2,142 | $ 27,280 | $ 28 |
| Covered payroll | $ 2,880,112 | $ 344 | $ 4,202 | $ 5,042 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 163.09% | -4001.74% | 50.97% | 541.05% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 81.78% | 73.31% | 73.31% | 73.31% | 73.31% |

| | For the year ended June 30, 2017 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 94.2175% | -0.1469% | 0.0204% | 0.2691% | 0.0003% |
| Proportionate share of the net pension liability (asset) | $ 5,476,654 | $ (12,711) | $ 1,765 | $ 23,281 | $ 27 |
| Covered payroll | $ 2,681,695 | $ 329 | $ 3,644 | $ 3,769 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 204.22% | -3863.53% | 48.44% | 617.70% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 77.61% | 74.06% | 74.06% | 74.06% | 74.06% |





### Required Supplementary Information (Unaudited) –
### Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)
June 30, 2020*
(Dollars in Thousands)

| | For the year ended June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 93.9032% | -0.2033% | 0.0188% | 0.2413% | 0.0004% |
| Proportionate share of the net pension liability (asset) | $ 2,156,049 | $ (13,956) | $ 1,288 | $ 16,563 | $ 24 |
| Covered payroll | $ 2,529,879 | $ 319 | $ 3,684 | $ 3,427 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 85.22% | -4374.92% | 34.96% | 483.31% | N/A |
| Plan fiduciary net position as a percentage of total pension liability | 89.90% | 78.40% | 78.40% | 78.40% | 78.40% |

| | For the year ended June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | | CalPERS Miscellaneous Plans | | | |
| | City SFERS Plan | City | Transportation Authority Classic & PEPRA | Successor Agency Classic & PEPRA | Treasure Island |
| Proportion of net pension liability | 93.7829% | -0.1829% | 0.0208% | 0.2550% | N/A |
| Proportionate share of the net pension liability (asset) | $ 1,660,365 | $ (11,381) | $ 1,299 | $ 15,870 | $ - |
| Covered payroll | $ 2,398,979 | $ 303 | $ 3,264 | $ 3,962 | $ - |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | 69.21% | -3756.11% | 39.80% | 400.56% | - |
| Plan fiduciary net position as a percentage of total pension liability | 91.84% | 80.43% | 80.43% | 80.43% | - |

**Notes to Schedule:**

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2019 and 2018. The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40% There were no changes in the discount rate for the year ended June 30, 2018. For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – No changes for the year ended June 30, 2019.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only six years of information is shown

## Required Supplementary Information (Unaudited) –
## Schedules of Changes in Net Pension Liability and Related Ratios

June 30, 2020*

(Dollars in Thousands)

| City CalPERS Safety Plan | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Total pension liability:** | | | | | | |
| Service cost | $ 30,109 | $ 34,006 | $ 33,886 | $ 31,141 | $ 30,987 | $ 32,688 |
| Interest on the total pension liability | 98,555 | 94,305 | 88,729 | 85,094 | 80,057 | 76,177 |
| Changes of assumptions | - | 2,492 | 75,057 | - | (19,949) | - |
| Differences between expected and actual experience | (7,134) | 6,909 | (14,353) | 950 | (14,218) | - |
| Benefit payments, including refunds of employee contributions | (62,934) | (56,625) | (51,579) | (47,774) | (44,699) | (41,387) |
| Net change in total pension liability | 58,596 | 81,087 | 131,740 | 69,411 | 32,178 | 67,478 |
| Total pension liability, beginning | 1,401,943 | 1,320,856 | 1,189,116 | 1,119,705 | 1,087,527 | 1,020,049 |
| Total pension liability, ending | $1,460,539 | $1,401,943 | $1,320,856 | $1,189,116 | $ 1,119,705 | $ 1,087,527 |
| **Plan fiduciary net position:** | | | | | | |
| Plan to plan resource movement | $ - | $ (3) | $ - | $ - | $ (4) | $ - |
| Contributions from the employer | 43,789 | 31,189 | 30,575 | 23,640 | 20,718 | 20,613 |
| Contributions from employees | 9,141 | 9,359 | 10,307 | 14,310 | 15,061 | 15,216 |
| Net investment income | 71,212 | 85,351 | 104,383 | 4,731 | 20,469 | 138,628 |
| Benefit payments, including refunds of employee contributions | (62,934) | (56,625) | (51,579) | (47,774) | (44,699) | (41,387) |
| Administrative expenses | (772) | (1,585) | (1,366) | (567) | (1,048) | - |
| Other miscellaneous income/(expense) | 2 | (3,011) | - | - | - | - |
| Net change in plan fiduciary net position | 60,438 | 64,675 | 92,320 | (5,660) | 10,497 | 133,070 |
| Plan fiduciary net position, beginning | 1,082,203 | 1,017,528 | 925,208 | 930,868 | 920,371 | 787,301 |
| Plan fiduciary net position, ending | $1,142,641 | $1,082,203 | $1,017,528 | $ 925,208 | $ 930,868 | $ 920,371 |
| **Plan net pension liability, ending** | $ 317,898 | $ 319,740 | $ 303,328 | $ 263,908 | $ 188,837 | $ 167,156 |
| Plan fiduciary net position as a percentage of the total pension liability | 78.23% | 77.19% | 77.04% | 77.81% | 83.14% | 84.63% |
| Covered payroll | $ 94,522 | $ 106,765 | $ 107,812 | $ 110,139 | $ 109,462 | $ 111,311 |
| Plan net pension liability as a percentage of the covered payroll | 336.32% | 299.48% | 281.35% | 239.61% | 172.51% | 150.17% |

### Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2019. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only six years of information is show





## Required Supplementary Information (Unaudited) –
## Schedules of Changes in Total Pension Liability and Related Ratios

June 30, 2020*

(Dollars in Thousands)

| City Replacement Benefits Plan | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Plan total pension liability:** | | | | |
| Service cost | $ 1,286 | $ 1,298 | $ 1,605 | $ 956 |
| Interest | 3,538 | 2,998 | 2,218 | 2,112 |
| Changes of benefits | - | - | - | 10,310 |
| Differences between expected and actual experience | 13,588 | 564 | 15,326 | - |
| Changes of assumptions | 29,565 | 5,540 | (10,290) | 11,516 |
| Benefit payments | (2,958) | (2,442) | (3,164) | (1,332) |
| Net change in total pension liability | 45,019 | 7,958 | 5,695 | 23,562 |
| Total pension liability, beginning | 92,253 | 84,295 | 78,600 | 55,038 |
| **Plan total pension liability, ending:** | $ 137,272 | $ 92,253 | $ 84,295 | $ 78,600 |
| Covered-employee payroll | $ 3,225,854 | $ 3,082,273 | $ 2,919,519 | $ 2,719,691 |
| Plan total pension liability as a percentage of the covered-employee payroll | 4.26% | 2.99% | 2.89% | 2.89% |

### Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2019.

Changes of Assumptions – The discount rate was changed from 3.87% in the measurement period ended June 30, 2018 to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only four years of information is shown.

# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans

June 30, 2020

(Dollars in Thousands)

For the year ended June 30, 2020

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 701,307 | $ 10 | $ 539 | $ 2,012 | $ 7 | $ 40,778 |
| Contributions in relation to the actuarially determined contributions | (701,307) | (10) | (539) | (2,012) | (7) | (40,778) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,378,945 | $ 179 | $ 4,423 | $ 6,745 | $ - | $ 92,968 |
| Contributions as a percentage of covered payroll | 20.76% | 5.59% | 12.19% | 29.83% | N/A | 43.86% |

For the year ended June 30, 2019

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 607,408 | $ 28 | $ 479 | $ 1,637 | $ 7 | $ 34,933 |
| Contributions in relation to the actuarially determined contributions | (607,408) | (28) | (479) | (1,637) | (7) | (34,933) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,186,405 | $ 359 | $ 4,396 | $ 6,384 | $ - | $ 94,522 |
| Contributions as a percentage of covered payroll | 19.06% | 7.80% | 10.89% | 25.65% | N/A | 36.96% |

For the year ended June 30, 2018

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 582,568 | $ 42 | $ 403 | $ 1,283 | $ 6 | $ 30,743 |
| Contributions in relation to the actuarially determined contributions | (582,568) | (42) | (403) | (1,283) | (6) | (30,743) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,045,153 | $ 390 | $ 4,039 | $ 5,742 | $ - | $ 106,765 |
| Contributions as a percentage of covered payroll | 19.13% | 10.77% | 9.99% | 22.34% | N/A | 28.80% |

For the year ended June 30, 2017

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 519,073 | $ 35 | $ 293 | $ 970 | $ 2 | $ 27,190 |
| Contributions in relation to the actuarially determined contributions | (519,073) | (35) | (293) | (970) | (2) | (27,190) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,880,112 | $ 344 | $ 4,202 | $ 5,042 | $ - | $ 107,812 |
| Contributions as a percentage of covered payroll | 18.02% | 10.17% | 6.97% | 19.24% | N/A | 25.22% |



# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2020*

(Dollars in Thousands)

For the year ended June 30, 2016

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 496,343 | $ 33 | $ 280 | $ 828 | $ 2 | $ 23,640 |
| Contributions in relation to the actuarially determined contributions | (496,343) | (33) | (280) | (828) | (2) | (23,640) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,681,695 | $ 329 | $ 3,644 | $ 3,769 | $ - | $ 110,139 |
| Contributions as a percentage of covered payroll | 18.51% | 10.03% | 7.68% | 21.97% | N/A | 21.46% |

For the year ended June 30, 2015

| | City SFERS Plan | CalPERS Miscellaneous Plans: City | CalPERS Miscellaneous Plans: Transportation Authority | CalPERS Miscellaneous Plans: Successor Agency | CalPERS Miscellaneous Plans: Treasure Island | CalPERS Safety Plan |
|---|---|---|---|---|---|---|
| Actuarially determined contributions ** | $ 556,511 | $ 31 | $ 400 | $ 598 | $ 2 | $ 20,718 |
| Contributions in relation to the actuarially determined contributions | (556,511) | (31) | (400) | (598) | (2) | (20,718) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 2,529,879 | $ 319 | $ 3,684 | $ 3,427 | $ - | $ 109,462 |
| Contributions as a percentage of covered payroll | 22.00% | 9.72% | 10.86% | 17.45% | N/A | 18.93% |

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only six years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2018 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.40% (net of investment expenses) |
| Inflation | 2.75% compounded annually |
| Projected salary increase | Wage inflation component: 3.50% |

**Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2017 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) |
| Inflation | 3.25% |
| Projected salary increase | Wage inflation component: 3.75% |

**Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2016 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) |
| Inflation | 3.25% compounded annually |
| Projected salary increase | Wage inflation component: 3.75% |

**Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2015 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) |
| Inflation | 3.25% compounded annually |
| Projected salary increase | Wage inflation component: 3.75% |





**Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2014 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Closed 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.50% (net of investment expenses) |
| Inflation | 3.25% compounded annually |
| Projected salary increase | Wage inflation component: 3.75% |

**Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan**

| | |
|---|---|
| Valuation date | July 1, 2013 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level annual percentage of payroll |
| Remaining amortization period | Rolling 15-year period |
| Asset valuation method | 5 year smoothed market |
| Investment rate of return | 7.58% (net of investment expenses) |
| Inflation | 3.33% compounded annually |
| Projected salary increase | Wage inflation component: 3.83% |

(Dollars in Thousands)

**Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.25%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.625% |
| Payroll growth | 2.875% |

**Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2016 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.375%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.75% |
| Payroll growth | 3.00% |

**Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2015 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.75% |
| Payroll growth | 3.00% |





**Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2014 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Actuarial Value of Assets |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | Varies by Entry-Age and Service |
| Inflation | 2.75% |
| Payroll growth | 3.00% |

**Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2013 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety) |
| Asset valuation method | Market Value |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | 3.30% to 14.20% depending on age, service, and type of employment |
| Inflation | 2.75% |
| Payroll growth | 3.00% |
| Individual salary growth | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. |

**Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans**

| | |
|---|---|
| Valuation date | June 30, 2012 |
| Actuarial cost method | Entry-age normal cost method |
| Amortization method | Level percent of payroll |
| Amortization period | 7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety) |
| Asset valuation method | 15-year smoothed market |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation |
| Projected salary increase | 3.30% to 14.20% depending on age, service, and type of employment |
| Inflation | 2.75% |
| Payroll growth | 3.00% |
| Individual salary growth | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan**
June 30, 2020
(Dollars in Thousands)

| | 2020 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 133,736 | $ 335 | $ 118 |
| Interest (includes interest on service cost) | 283,520 | 812 | 143 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 194,068 | - | (596) |
| Changes of assumptions | - | - | (63) |
| Benefit payments, including refunds of member contributions | (185,839) | (906) | (60) |
| **Net change in total OPEB liability** | **425,485** | **241** | **(458)** |
| **Total OPEB liability - beginning** | **3,856,933** | **12,154** | **1,936** |
| **Total OPEB liability - ending** | **$ 4,282,418** | **$ 12,395** | **$ 1,478** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 218,625 | $ 2,967 | $ 138 |
| Contributions - member | 51,024 | - | - |
| Net investment income | 26,959 | 407 | 106 |
| Benefit payments, including refunds of member contributions | (185,839) | (906) | (60) |
| Administrative expense | (132) | (3) | (1) |
| **Net change in plan fiduciary net position** | **110,637** | **2,465** | **183** |
| **Plan fiduciary net position - beginning** | **255,966** | **5,586** | **1,707** |
| **Plan fiduciary net position - ending** | **366,603** | **8,051** | **1,890** |
| **Net OPEB liability - ending** | **$ 3,915,815** | **$ 4,344** | **$ (412)** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 8.6% | 65.0% | 127.9% |
| **Covered payroll** | $ 3,763,446 | $ 6,384 | $ 4,039 |
| **Net OPEB liability as a percentage of covered payroll** | 104.0% | 68.1% | -10.2% |



## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2020
(Dollars in Thousands)

| | 2019 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 127,850 | $ 164 | $ 122 |
| Interest (includes interest on service cost) | 290,029 | 701 | 129 |
| Changes of benefit terms | - | - | (5) |
| Differences between expected and actual experience | (385,732) | 267 | - |
| Changes of assumptions | 111,119 | 1,572 | - |
| Benefit payments, including refunds of member contributions | (178,019) | (812) | (58) |
| **Net change in total OPEB liability** | **(34,753)** | **1,892** | **188** |
| **Total OPEB liability - beginning** | **3,891,686** | **10,262** | **1,748** |
| **Total OPEB liability - ending** | **$ 3,856,933** | **$ 12,154** | **$ 1,936** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 203,858 | $ 2,145 | $ 144 |
| Contributions - member | 41,682 | - | - |
| Net investment income | 14,105 | 339 | 119 |
| Benefit payments, including refunds of member contributions | (178,019) | (812) | (58) |
| Administrative expense | (137) | (11) | (1) |
| **Net change in plan fiduciary net position** | **81,489** | **1,661** | **204** |
| **Plan fiduciary net position - beginning** | **174,477** | **3,925** | **1,503** |
| **Plan fiduciary net position - ending** | **255,966** | **5,586** | **1,707** |
| **Net OPEB liability - ending** | **$ 3,600,967** | **$ 6,568** | **$ 229** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 6.6% | 46.0% | 88.2% |
| **Covered payroll** | $ 3,583,448 | $ 5,742 | $ 4,045 |
| **Net OPEB liability as a percentage of covered payroll** | 100.5% | 114.4% | 5.7% |

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**
**Other Postemployment Healthcare Benefits Plan (Continued)**
June 30, 2020*
(Dollars in Thousands)

| | 2018 | | |
|---|---|---|---|
| | **City Plan** | **Successor Agency** | **Transportation Authority** |
| **Total OPEB Liability** | | | |
| Service cost (BOY) | $ 125,195 | $ 159 | $ 122 |
| Interest (includes interest on service cost) | 272,942 | 692 | 117 |
| Benefit payments, including refunds of member contributions | (165,470) | (797) | (64) |
| **Net change in total OPEB liability** | **232,667** | **54** | **175** |
| **Total OPEB liability - beginning** | **3,659,019** | **10,208** | **1,573** |
| **Total OPEB liability - ending** | **$ 3,891,686** | **$ 10,262** | **$ 1,748** |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 183,898 | $ 1,097 | $ 166 |
| Contributions - member | 31,686 | - | - |
| Net investment income | 17,368 | 353 | 134 |
| Benefit payments, including refunds of member contributions | (165,470) | (797) | (64) |
| Administrative expense | (109) | (3) | (1) |
| **Net change in plan fiduciary net position** | **67,373** | **650** | **235** |
| **Plan fiduciary net position - beginning** | **107,104** | **3,275** | **1,268** |
| **Plan fiduciary net position - ending** | **174,477** | **3,925** | **1,503** |
| **Net OPEB liability - ending** | **$ 3,717,209** | **$ 6,337** | **$ 245** |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 4.5% | 38.2% | 86.0% |
| **Covered payroll** | $ 3,393,658 | $ 5,042 | $ 3,946 |
| **Net OPEB liability as a percentage of covered payroll** | 109.5% | 125.7% | 6.2% |

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only three years of information is shown.



## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedules of Employer Contributions**
**Other Postemployment Healthcare Benefits Plans**
Year Ended June 30, 2020*
(In Thousands)

| | For the year ended June 30, 2020 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 235,962 | $ 802 | $ 51 |
| Contributions in relation to the charter required contribution or ADC | (235,962) | (2,901) | (51) |
| Contribution deficiency/(excess) | $ - | $ (2,099) | $ - |
| Covered payroll | $ 4,020,458 | $ 6,745 | $ 4,355 |
| Contributions as a percentage of covered payroll | 5.87% | 43.01% | 1.17% |

| | For the year ended June 30, 2019 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 218,625 | $ 812 | $ 138 |
| Contributions in relation to the charter required contribution or ADC | (218,625) | (2,967) | (138) |
| Contribution deficiency/(excess) | $ - | $ (2,155) | $ - |
| Covered payroll | $ 3,763,446 | $ 6,384 | $ 4,039 |
| Contributions as a percentage of covered payroll | 5.81% | 46.48% | 3.42% |

| | For the year ended June 30, 2018 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 203,858 | $ 813 | $ 143 |
| Contributions in relation to the charter required contribution or ADC | (203,858) | (2,145) | (143) |
| Contribution deficiency/(excess) | $ - | $ (1,332) | $ - |
| Covered payroll | $ 3,583,448 | $ 5,742 | $ 4,045 |
| Contributions as a percentage of covered payroll | 5.69% | 37.36% | 3.50% |

| | For the year ended June 30, 2017 | | |
|---|---|---|---|
| | City Plan | Successor Agency | Transportation Authority |
| Charter required or actuarially determined contributions (ADC) | $ 183,898 | $ 804 | $ 165 |
| Contributions in relation to the charter required contribution or ADC | (183,898) | (1,097) | (165) |
| Contribution deficiency/(excess) | $ - | $ (293) | $ - |
| Covered payroll | $ 3,393,658 | $ 5,042 | $ 3,946 |
| Contributions as a percentage of covered payroll | 5.42% | 21.76% | 4.18% |

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only four years of information is available for the Successor Agency plan and the Transportation Authority plan.

## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedules of Employer Contributions**
**Other Postemployment Healthcare Benefits Plans (Continued)**
Year Ended June 30, 2020*
(In Thousands)

### Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2019-20 contribution rates for the plans are as follows:

| Actuarial Assumptions | City Plan for the year ended June 30, 2020 |
|---|---|
| **Valuation Date** | June 30, 2018 |
| **Measurement Date** | June 30, 2019 |
| **Actuarial Cost Method** | The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability |
| **Healthcare Cost Trend Rates** | Medical costs: Applied at beginning of calendar year, starting at 6.35% for 2021, grading down to 5.18% in 2029, and decreasing to an ultimate rate of 3.93% in 2076.<br>Vision and expenses trend remains a flat 3.50% for all years |
| **Expected Rate of Return on Plan Assets** | 7.40% |
| **Discount Rate** | 7.40% |
| **Salary Increase Rate** | Wage Inflation Component: 3.50%<br>Additional Merit Component (dependent on years of service):<br>Police: 1.50% - 8.00%<br>Fire: 1.50% - 15.00%<br>Muni Drivers: 0.00% - 15.00%<br>Craft: 0.00% - 3.50%<br>Misc: 0.00% - 5.25% |
| **Inflation Rate** | Wage Inflation: 3.50% compounded annually<br>Consumer Price Inflation: 2.75% compounded annually |
| **Mortality Tables** | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2014. |

Healthy Non-Annuitants - CalPERS employee mortality tables without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.918 | 2009 |
| Male | 0.948 | 2009 |

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.014 | 2009 |
| Male | 0.909 | 2009 |

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.066 | 2006 |
| Male | 0.942 | 2006 |

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.983 | 2009 |
| Male | 0.909 | 2009 |



## CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –**
**Schedules of Employer Contributions**
**Other Postemployment Healthcare Benefits Plans (Continued)**
Year Ended June 30, 2020*
(In Thousands)

| | For the year ended June 30, 2020 | |
|---|---|---|
| **Actuarial Assumptions** | **Successor Agency** | **Transportation Authority** |
| Actuarial Valuation Date | June 30, 2019 | June 30, 2019 |
| Actuarial Cost Method | Entry age normal cost method | Entry age normal cost method |
| Asset Valuation Method | Actuarial value of assets | Actuarial value of assets |
| General Inflation | 2.75%, per annum | 2.75% per annum |
| Salary Increases | 3.00%, per annum | 2.75% per annum, in aggregate |
| Mortality, Turnover, Disability, and Retirement | CalPERS Experience Study for the period from 1997 to 2015 | CalPERS Experience Study for the period from 1997 to 2015 |
| Healthcare Cost Trend Rate | Non-medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076<br>Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 | Initial 6.5% for non-medicare eligibles, 11% for spouse/domestic partner of medicare eligibles |
| Investment Rate of Return | 6.75% | 7.59% |

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **Budgetary Fund Balance, July 1** | $ 299,880 | $ 2,817,270 | $ 2,817,270 | $ - |
| **Resources (Inflows):** | | | | |
| Property taxes | 1,956,008 | 1,956,008 | 2,071,862 | 115,854 |
| Business taxes | 1,050,620 | 1,050,392 | 822,154 | (228,238) |
| Other local taxes: | | | | |
| Sales and use tax | 204,085 | 204,085 | 180,184 | (23,901) |
| Hotel room tax | 389,114 | 389,114 | 252,170 | (136,944) |
| Utility users tax | 98,714 | 98,714 | 94,231 | (4,483) |
| Parking tax | 83,000 | 83,000 | 69,461 | (13,539) |
| Real property transfer tax | 296,053 | 296,053 | 334,535 | 38,482 |
| Other local taxes | 73,410 | 73,410 | 65,599 | (7,811) |
| Licenses, permits and franchises: | | | | |
| Licenses and permits | 12,684 | 12,614 | 8,971 | (3,643) |
| Franchise tax | 17,747 | 17,747 | 16,155 | (1,592) |
| Fines, forfeitures, and penalties | 3,125 | 3,131 | 3,638 | 507 |
| Interest and investment income | 76,590 | 69,579 | 78,846 | 9,267 |
| Rents and concessions: | | | | |
| Garages - Recreation and Park | 8,678 | 8,678 | 4,510 | (4,168) |
| Rents and concessions - Recreation and Park | 5,858 | 5,862 | 4,619 | (1,243) |
| Other rents and concessions | 605 | 730 | 579 | (151) |
| Intergovernmental: | | | | |
| Federal grants and subventions | 280,028 | 433,360 | 419,162 | (14,198) |
| State subventions: | | | | |
| Social service subventions | 119,110 | 119,110 | 115,398 | (3,712) |
| Health / mental health subventions | 225,484 | 219,127 | 228,645 | 9,518 |
| Health and welfare realignment | 297,689 | 297,689 | 297,036 | (653) |
| Public safety sales tax | 104,640 | 104,640 | 103,856 | (784) |
| Other grants and subventions | 58,930 | 58,328 | 64,934 | 6,606 |
| Other | 2,733 | 2,733 | 2,404 | (329) |
| Charges for services: | | | | |
| General government service charges | 77,725 | 77,573 | 68,585 | (8,988) |
| Public safety service charges | 45,655 | 45,634 | 43,827 | (1,807) |
| Recreation charges - Recreation and Park | 24,435 | 25,109 | 18,779 | (6,330) |
| MediCal, MediCare and health service charges | 97,407 | 97,687 | 102,457 | 4,770 |
| Other financing sources: | | | | |
| Transfers from other funds | 163,455 | 190,642 | 190,642 | - |
| Other resources (inflows) | 69,424 | 31,712 | 49,144 | 17,432 |
| Subtotal - Resources (Inflows) | 5,843,006 | 5,972,461 | 5,712,383 | (260,078) |
| Total amounts available for appropriation | 6,142,886 | 8,789,731 | 8,529,653 | (260,078) |



## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) –
### Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **Charges to Appropriations (Outflows):** | | | | |
| **Public Protection** | | | | |
| Adult Probation | $ 38,040 | $ 40,620 | $ 39,876 | $ 744 |
| District Attorney | 64,672 | 65,160 | 65,060 | 100 |
| Emergency Communications | 63,001 | 69,509 | 69,509 | - |
| Fire Department | 385,812 | 392,938 | 392,828 | 110 |
| Juvenile Probation | 35,895 | 33,128 | 26,793 | 6,335 |
| Police Department | 588,071 | 584,607 | 580,148 | 4,459 |
| Public Defender | 40,981 | 41,115 | 40,695 | 420 |
| Police Accountability | 11,350 | 11,614 | 9,839 | 1,775 |
| Sheriff | 227,121 | 221,738 | 221,738 | - |
| Superior Court | 32,759 | 32,811 | 32,485 | 326 |
| Subtotal - Public Protection | 1,487,702 | 1,493,240 | 1,478,971 | 14,269 |
| **Public Works, Transportation and Commerce** | | | | |
| Board of Appeals | 1,164 | 1,358 | 1,250 | 108 |
| Business and Economic Development | 75,686 | 64,043 | 52,997 | 11,046 |
| General Services Agency - Public Works | 131,905 | 146,109 | 143,789 | 2,320 |
| Port | - | 803 | 803 | - |
| Public Utilities Commission | - | 2,101 | 2,101 | - |
| Municipal Transportation Agency | - | 2,410 | 2,410 | - |
| Subtotal - Public Works, Transportation and Commerce | 208,755 | 216,824 | 203,350 | 13,474 |
| **Human Welfare and Neighborhood Development** | | | | |
| Children, Youth and Their Families | 69,175 | 71,887 | 71,887 | - |
| Commission on the Status of Women | 9,520 | 9,331 | 9,062 | 269 |
| Homelessness and Supportive Housing | 234,128 | 218,823 | 206,115 | 12,708 |
| Human Rights Commission | 7,682 | 7,019 | 6,146 | 873 |
| Human Services | 863,082 | 878,638 | 878,638 | - |
| Mayor - Housing/Neighborhoods | 220,904 | 84,832 | 81,703 | 3,129 |
| Subtotal - Human Welfare and Neighborhood Development | 1,404,491 | 1,270,530 | 1,253,551 | 16,979 |
| **Community Health** | | | | |
| Public Health | 946,154 | 1,065,051 | 1,065,051 | - |
| **Culture and Recreation** | | | | |
| Academy of Sciences | 6,577 | 6,322 | 6,003 | 319 |
| Arts Commission | 10,219 | 10,254 | 9,994 | 260 |
| Asian Art Museum | 11,321 | 11,691 | 11,235 | 456 |
| Fine Arts Museum | 17,962 | 17,645 | 17,559 | 86 |
| Law Library | 2,141 | 2,141 | 1,777 | 364 |
| Recreation and Park Commission | 116,391 | 113,221 | 108,701 | 4,520 |
| Subtotal - Culture and Recreation | 164,611 | 161,274 | 155,269 | 6,005 |

**Required Supplementary Information (Unaudited) –**
**Budgetary Comparison Schedule - General Fund (Continued)**
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|
| **General Administration and Finance** | | | | |
| Assessor/Recorder | $ 36,962 | $ 32,729 | $ 32,254 | $ 475 |
| Board of Supervisors | 18,055 | 17,986 | 16,806 | 1,180 |
| City Attorney | 24,693 | 21,953 | 15,546 | 6,407 |
| City Planning | 46,533 | 47,019 | 43,066 | 3,953 |
| Civil Service | 975 | 1,064 | 797 | 267 |
| Controller | 13,978 | 15,504 | 13,385 | 2,119 |
| Elections | 26,541 | 28,865 | 26,554 | 2,311 |
| Ethics Commission | 11,606 | 5,764 | 4,801 | 963 |
| General Services Agency - Administrative Services | 115,575 | 67,804 | 64,705 | 3,099 |
| General Services Agency - Technology | 11,106 | 9,758 | 9,626 | 132 |
| Health Service System | 634 | 1,018 | 265 | 753 |
| Human Resources | 22,710 | 23,513 | 21,625 | 1,888 |
| Mayor | 7,501 | 7,725 | 6,765 | 960 |
| Retirement Services | 1,536 | 1,463 | 1,461 | 2 |
| Treasurer/Tax Collector | 35,842 | 50,131 | 47,088 | 3,043 |
| Subtotal - General Administration and Finance | 374,247 | 332,296 | 304,744 | 27,552 |
| **General City Responsibilities** | | | | |
| General City Responsibilities | 159,402 | 137,851 | 129,955 | 7,896 |
| Other financing uses: | | | | |
| Debt service | 20,998 | 55 | - | 55 |
| Transfers to other funds | 1,312,077 | 1,157,257 | 1,157,257 | - |
| Budgetary reserves and designations | 64,449 | 34,721 | - | 34,721 |
| Total charges to appropriations | 6,142,886 | 5,869,099 | 5,748,148 | 120,951 |
| Total Sources less Current Year Uses | $ - | $ 2,920,632 | $ 2,781,505 | $ (139,127) |

| | |
|---|---|
| **Budgetary fund balance, June 30 before reserves and designations** | $ 2,781,505 |
| Reserves and designations made from budgetary fund balance not available for appropriation | (1,643,521) |
| Reserves for Litigation and Contingencies and General Reserves | (241,812) |
| **Net Available Budgetary Fund Balance, June 30** | $ 896,172 |
| Sources/inflows of resources | |
| Actual amounts (budgetary basis) "available for appropriation" | $ 8,529,653 |
| Difference - budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes | (2,817,270) |
| Property tax revenue - Teeter Plan net change from prior year | 3,140 |
| Change in unrealized gain/(loss) on investments | 20,350 |
| Interest earnings / charges from other funds assigned to General Fund as interest adjustment | (33,737) |
| Interest earnings from other funds assigned to General Fund as other revenues | 14,254 |
| Grants, subventions and other receivables received after 60-day recognition period | (52,880) |
| Prepaid lease revenue, Civic Center Garage | 84 |
| Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes | (190,642) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund | $ 5,472,952 |
| Uses/outflows of resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" | $ 5,748,148 |
| Difference - budget to GAAP: | |
| Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund | (536) |
| Purchase of inventories | (33,212) |
| Intergovernmental expense offset | (123,294) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (1,157,257) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund | $ 4,433,849 |





**Required Supplementary Information (Unaudited) –**
**Budgetary Comparison Schedule - General Fund (Continued)**
Year Ended June 30, 2020
(In Thousands)

**Notes to Budgetary Schedule:**

**(a) Budgetary Data**

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

***Original Budget***

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

***Final Budget***

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

**(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles**

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.



CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2020
(In Thousands)

The fund balance of the General Fund as of June 30, 2020, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

| | |
|---|---|
| Fund Balance - Budget Basis | $ 2,781,505 |
| Unrealized Gains/ (Losses) on Investments | 36,626 |
| Cumulative Excess Property Tax Revenues Recognized on a Budget Basis | (20,655) |
| Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis | (139,590) |
| Inventories | 33,212 |
| Pre-paid lease revenue | (6,450) |
| Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation) | 1,274 |
| Fund Balance - GAAP basis | $ 2,685,922 |

General Fund budget basis fund balance as of June 30, 2020 is composed of the following:

| | | |
|---|---|---|
| Not available for appropriations: | | |
| Restricted Fund Balance: | | |
| Rainy Day - Economic Stabilization Reserve | $ 229,069 | |
| Committed Fund Balance: | | |
| Budget Stabilization Reserve | 362,607 | |
| Recreation and Parks Expenditure Saving Reserve | 803 | |
| Assigned for Encumbrances | 394,912 | |
| Assigned for Appropriation Carryforward | 630,759 | |
| Assigned for Subsequent Years' Budgets: | | |
| Salaries and benefits costs (MOU) | 25,371 | |
| Subtotal | | $ 1,643,521 |
| Available for appropriations: | | |
| Assigned for Litigation and Contingences | 160,314 | |
| Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2020-21 | 370,405 | |
| Unassigned - General Reserve | 78,498 | |
| Unassigned - Free City College and Mission Bay Transportation Improvement Reserves | 3,000 | |
| Unassigned - Budget for use in fiscal year 2021-22 | 84 | |
| Unassigned - COVID-19 Loss and Economic Contingency Reserve | 507,400 | |
| Unassigned - Available for future appropriations | 18,283 | |
| Subtotal | | 1,137,984 |
| Fund Balance, June 30, 2020 - Budget basis | | $ 2,781,505 |

# COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**CITY AND COUNTY OF SAN FRANCISCO**

**NONMAJOR GOVERNMENTAL FUNDS**

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Building Inspection Fund* – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

*Children and Families Fund* – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

*Community/Neighborhood Development Fund* – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

*Community Health Services Fund* – Accounts for state and federal grants used to promote public health and mental health programs.

*Convention Facilities Fund* – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

*Courts Fund* – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

*Culture and Recreation Fund* – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

*Environmental Protection Fund* – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

*Gasoline Tax Fund* – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

*General Services Fund* – Accounts for the activities of several non-grant activities, generally established by administrative action.

*Gift and Other Expendable Trusts Fund* – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

*Golf Fund* – Accounts for the revenue and expenditures related to the City's six golf courses.

*Human Welfare Fund* – Accounts for state and federal grants used to promote education and discourage domestic violence.

### SPECIAL REVENUE FUNDS (Continued)

*Low and Moderate Income Housing Asset Fund* – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

*Open Space and Park Fund* – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

*Public Library Fund* – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

*Public Protection Fund* – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

*Public Works, Transportation and Commerce Fund* – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

*Real Property Fund* – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

*San Francisco County Transportation Authority Fund* – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

*Senior Citizens Program Fund* – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

*War Memorial Fund* – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

### DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

*General Obligation Bond Fund* – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

*Certificates of Participation (COP) Funds* – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

*Other Bond Funds* – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.





### CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

*City Facilities Improvement Fund* – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

*Fire Protection Systems Improvement Fund* – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

*Moscone Convention Center Fund* – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

*Recreation and Park Projects* – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

*Street Improvement Fund* – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

### PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

*Bequest Fund* – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds
June 30, 2020
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund Bequest Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Deposits and investments with City Treasury | $ 2,768,172 | $ 125,643 | $ 338,438 | $ 4,175 | $ 3,236,428 |
| Deposits and investments outside City Treasury | 65,210 | 77,699 | 167,665 | - | 310,574 |
| Receivables: | | | | | |
| Property taxes and penalties | 4,989 | 6,251 | - | - | 11,240 |
| Other local taxes | 120,764 | - | - | - | 120,764 |
| Federal and state grants and subventions | 88,765 | - | 12,472 | - | 101,237 |
| Charges for services | 16,563 | - | 49 | - | 16,612 |
| Interest and other | 12,596 | 739 | 840 | 5 | 14,180 |
| Due from other funds | 677 | - | 13,519 | - | 14,196 |
| Due from component unit | 6,963 | - | - | - | 6,963 |
| Advance to component unit | 4,669 | - | - | - | 4,669 |
| Loans receivable (net of allowance for uncollectible amounts) | 129,223 | - | - | - | 129,223 |
| Other assets | 17,131 | - | - | - | 17,131 |
| Total assets | $ 3,235,722 | $ 210,332 | $ 532,983 | $ 4,180 | $ 3,983,217 |
| Liabilities: | | | | | |
| Accounts payable | $ 126,839 | $ 270 | $ 80,425 | $ 4 | $ 207,538 |
| Accrued payroll | 20,535 | - | 788 | - | 21,323 |
| Unearned grant and subvention revenue | 106,544 | - | 5,108 | - | 111,652 |
| Due to other funds | 48,851 | - | 10,044 | - | 58,895 |
| Unearned revenues and other liabilities | 894,016 | 7,932 | 14,400 | - | 916,348 |
| Bonds, loans, capital leases, and other payables | 18,712 | - | 89,478 | - | 108,190 |
| Total liabilities | 1,215,497 | 8,202 | 200,243 | 4 | 1,423,946 |
| Deferred inflows of resources | 196,225 | 5,920 | 3,172 | - | 205,317 |
| Fund balances: | | | | | |
| Nonspendable | 82 | - | - | - | 82 |
| Restricted | 1,699,328 | 196,210 | 329,568 | 4,176 | 2,229,282 |
| Assigned | 125,319 | - | - | - | 125,319 |
| Unassigned | (729) | - | - | - | (729) |
| Total fund balances | 1,824,000 | 196,210 | 329,568 | 4,176 | 2,353,954 |
| Total liabilities, deferred inflows of resources and fund balances | $ 3,235,722 | $ 210,332 | $ 532,983 | $ 4,180 | $ 3,983,217 |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2020
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund Bequest Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Property taxes | $ 245,005 | $ 334,930 | $ - | $ - | $ 579,935 |
| Business taxes | 11,777 | - | - | - | 11,777 |
| Sales and use tax | 99,269 | - | - | - | 99,269 |
| Hotel room tax | 28,800 | - | - | - | 28,800 |
| Other local taxes | 5,264 | - | - | - | 5,264 |
| Licenses, permits, and franchises | 13,154 | - | - | - | 13,154 |
| Fines, forfeitures, and penalties | 23,027 | 17,098 | - | - | 40,125 |
| Interest and investment income | 60,983 | 5,122 | 9,978 | 96 | 76,179 |
| Rents and concessions | 108,708 | - | 166 | 175 | 109,049 |
| Intergovernmental: | | | | | |
| Federal | 188,674 | - | 23,556 | - | 212,230 |
| State | 183,017 | 720 | 4,057 | - | 187,794 |
| Other | 23,715 | - | 364 | - | 24,079 |
| Charges for services | 168,646 | - | - | - | 168,646 |
| Other | 141,355 | 5,850 | 4,919 | 17 | 152,141 |
| Total revenues | 1,301,394 | 363,720 | 43,040 | 288 | 1,708,442 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public protection | 71,930 | - | - | - | 71,930 |
| Public works, transportation and commerce | 285,347 | - | - | - | 285,347 |
| Human welfare and neighborhood development | 817,523 | - | - | - | 817,523 |
| Community health | 117,654 | - | - | - | 117,654 |
| Culture and recreation | 304,707 | - | - | 286 | 304,993 |
| General administration and finance | 88,556 | - | - | - | 88,556 |
| Debt service: | | | | | |
| Principal retirement | 13,400 | 283,475 | - | - | 296,875 |
| Interest and other fiscal charges | 10,320 | 138,110 | 2,216 | - | 150,646 |
| Bond issuance costs | 676 | 1,375 | 2,404 | - | 4,455 |
| Payment to refunded bond escrow agent | - | 8,905 | - | - | 8,905 |
| Capital outlay | - | - | 454,137 | - | 454,137 |
| Total expenditures | 1,710,113 | 431,865 | 458,757 | 286 | 2,601,021 |
| Excess (deficiency) of revenues over (under) expenditures | (408,719) | (68,145) | (415,717) | 2 | (892,579) |
| Other financing sources (uses): | | | | | |
| Transfers in | 490,997 | 101,316 | 21,460 | - | 613,773 |
| Transfers out | (137,587) | (48) | (84,809) | (59) | (222,503) |
| Issuance of bonds: | | | | | |
| Face value of bonds issued | 92,725 | 219,565 | 303,335 | - | 615,625 |
| Premium on issuance of bonds | 207 | 39,493 | 34,059 | - | 73,759 |
| Payment to refunded bond escrow agent | - | (257,675) | - | - | (257,675) |
| Total other financing sources (uses) | 446,342 | 102,651 | 274,045 | (59) | 822,979 |
| Net changes in fund balances | 37,623 | 34,506 | (141,672) | (57) | (69,600) |
| Fund balances at beginning of year | 1,786,377 | 161,704 | 471,240 | 4,233 | 2,423,554 |
| Fund balances at end of year | $ 1,824,000 | $ 196,210 | $ 329,568 | $ 4,176 | $ 2,353,954 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2020
(In Thousands)

| | Building Inspection Fund | Children and Families Fund | Community / Neighborhood Development Fund | Community Health Services Fund | Convention Facilities Fund | Courts Fund |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Deposits and investments with City Treasury | $ 177,538 | $ 559,597 | $ 1,209,182 | $ 48,092 | $ 47,236 | $ 1,003 |
| Deposits and investments outside City Treasury | 5 | - | 7,162 | - | - | - |
| Receivables: | | | | | | |
| Property taxes and penalties | - | 2,206 | - | - | - | - |
| Other local taxes | - | 39,832 | 67,191 | - | - | - |
| Federal and state grants and subventions | - | 5,148 | 6,290 | 26,679 | - | - |
| Charges for services | 161 | - | 75 | 675 | 128 | 116 |
| Interest and other | 510 | 1,284 | 2,474 | 170 | 3,620 | - |
| Due from other funds | 72 | - | - | - | - | - |
| Due from component unit | - | - | - | - | - | - |
| Advance to component unit | - | - | - | - | - | - |
| Loans receivable (net of allowance for uncollectible amounts) | 159 | - | 128,618 | - | - | - |
| Other assets | - | - | 14,589 | 4 | - | - |
| Total assets | $ 178,445 | $ 608,067 | $ 1,435,581 | $ 75,620 | $ 50,984 | $ 1,119 |
| Liabilities: | | | | | | |
| Accounts payable | $ 2,559 | $ 40,108 | $ 13,756 | $ 13,795 | $ 3,666 | $ - |
| Accrued payroll | 2,056 | 894 | 951 | 1,374 | 44 | - |
| Unearned grant and subvention revenues | - | 2,145 | 29,245 | 3,672 | - | - |
| Due to other funds | - | - | 94 | 138 | - | - |
| Unearned revenues and other liabilities | 11,648 | 375,280 | 489,368 | - | 2,444 | - |
| Bonds, loans, capital leases, and other payables | - | - | 18,712 | - | - | - |
| Total liabilities | 16,263 | 418,427 | 552,126 | 18,979 | 6,154 | - |
| Deferred inflows of resources | 159 | 5,396 | 129,861 | 15,776 | - | - |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 162,023 | 184,244 | 731,493 | 40,865 | 44,830 | 1,119 |
| Assigned | - | - | 22,101 | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | 162,023 | 184,244 | 753,594 | 40,865 | 44,830 | 1,119 |
| Total liabilities, deferred inflows of resources and fund balances | $ 178,445 | $ 608,067 | $ 1,435,581 | $ 75,620 | $ 50,984 | $ 1,119 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2020
(In Thousands)

| | Culture and Recreation Fund | Environmental Protection Fund | Gasoline Tax Fund | General Services Fund | Gift and Other Expendable Trusts Fund | Golf Fund |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Deposits and investments with City Treasury | $ 33,454 | $ 1,491 | $ 70,973 | $ 29,325 | $ 32,220 | $ 10,052 |
| Deposits and investments outside City Treasury | 1,931 | - | - | - | 3 | - |
| Receivables: | | | | | | |
| Property taxes and penalties | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - |
| Federal and state grants and subventions | - | 1,066 | 4,119 | 2,516 | 12 | - |
| Charges for services | 171 | - | 276 | 775 | 131 | 250 |
| Interest and other | 32 | - | 179 | 615 | 29 | 34 |
| Due from other funds | - | 32 | - | - | - | - |
| Due from component unit | - | - | - | - | - | - |
| Advance to component unit | - | - | - | - | - | - |
| Loans receivable (net of allowance for uncollectible amounts) | - | - | - | - | - | - |
| Other assets | - | - | - | - | 362 | - |
| Total assets | $ 35,588 | $ 2,589 | $ 75,547 | $ 33,231 | $ 32,757 | $ 10,336 |
| Liabilities: | | | | | | |
| Accounts payable | $ 1,006 | $ 469 | $ 4,600 | $ 2,151 | $ 1,536 | $ 264 |
| Accrued payroll | 263 | 153 | 266 | 484 | 12 | 283 |
| Unearned grant and subvention revenues | 104 | 516 | - | 2,253 | 6 | - |
| Due to other funds | - | - | - | - | - | - |
| Unearned revenues and other liabilities | - | - | - | - | - | - |
| Bonds, loans, capital leases, and other payables | - | - | - | - | - | - |
| Total liabilities | 1,373 | 1,138 | 4,866 | 4,888 | 1,554 | 547 |
| Deferred inflows of resources | - | 292 | 273 | 659 | 116 | - |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 26,765 | 1,159 | 70,408 | 8,844 | 31,087 | - |
| Assigned | 7,450 | - | - | 18,840 | - | 9,789 |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | 34,215 | 1,159 | 70,408 | 27,684 | 31,087 | 9,789 |
| Total liabilities, deferred inflows of resources and fund balances | $ 35,588 | $ 2,589 | $ 75,547 | $ 33,231 | $ 32,757 | $ 10,336 |

*(Continued)*

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2020
(In Thousands)

| | Human Welfare Fund | Low and Moderate Income Housing Asset Fund | Open Space and Park Fund | Public Library Fund | Public Protection Fund | Public Works, Transportation and Commerce Fund |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Deposits and investments with City Treasury | $ 74,539 | $ 49,645 | $ 55,741 | $ 107,837 | $ 72,159 | $ 72,055 |
| Deposits and investments outside City Treasury | - | - | - | - | 4 | - |
| Receivables: | | | | | | |
| Property taxes and penalties | - | - | 1,392 | 1,391 | - | - |
| Other local taxes | - | - | - | - | - | 467 |
| Federal and state grants and subventions | 10,702 | - | - | - | 21,016 | 258 |
| Charges for services | 61 | - | - | 3 | 2,234 | 10,461 |
| Interest and other | 136 | 138 | 149 | 172 | 74 | 555 |
| Due from other funds | - | - | - | - | - | 103 |
| Due from component unit | - | - | - | - | - | 5,199 |
| Advance to component unit | - | 4,669 | - | - | - | - |
| Loans receivable (net of allowance for uncollectible amounts) | - | 446 | - | - | - | - |
| Other assets | 78 | - | 1,940 | - | 75 | 1 |
| Total assets | $ 85,516 | $ 54,898 | $ 59,222 | $ 109,403 | $ 95,562 | $ 89,099 |
| Liabilities: | | | | | | |
| Accounts payable | $ 16,549 | $ 1,183 | $ 559 | $ 4,182 | $ 7,025 | $ 4,102 |
| Accrued payroll | 272 | 55 | 1,196 | 4,147 | 1,381 | 4,366 |
| Unearned grant and subvention revenues | 51,980 | - | - | - | 16,623 | - |
| Due to other funds | - | - | - | - | - | 432 |
| Unearned revenues and other liabilities | 308 | 2,764 | 1,765 | 1,764 | 27 | 6,808 |
| Bonds, loans, capital leases, and other payables | - | - | - | - | - | - |
| Total liabilities | 69,109 | 4,002 | 3,520 | 10,093 | 25,056 | 15,708 |
| Deferred inflows of resources | 336 | 5,115 | 1,328 | 1,330 | 15,982 | 8,916 |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 13,682 | 45,781 | 54,374 | 96,712 | 48,134 | 7,383 |
| Assigned | 2,389 | - | - | 1,268 | 6,390 | 57,092 |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | 16,071 | 45,781 | 54,374 | 97,980 | 54,524 | 64,475 |
| Total liabilities, deferred inflows of resources and fund balances | $ 85,516 | $ 54,898 | $ 59,222 | $ 109,403 | $ 95,562 | $ 89,099 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2020
(In Thousands)

| | Real Property Fund | San Francisco County Transportation Authority Fund | Senior Citizens Program Fund | War Memorial Fund | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Deposits and investments with City Treasury | $ 16,382 | $ 88,499 | $ - | $ 11,152 | $ 2,768,172 |
| Deposits and investments outside City Treasury | - | 56,105 | - | - | 65,210 |
| Receivables: | | | | | |
| Property taxes and penalties | - | - | - | - | 4,989 |
| Other local taxes | - | 13,274 | - | - | 120,764 |
| Federal and state grants and subventions | - | 10,025 | 934 | - | 88,765 |
| Charges for services | 1,046 | - | - | - | 16,563 |
| Interest and other | 9 | 2,384 | - | 32 | 12,596 |
| Due from other funds | - | 470 | - | - | 677 |
| Due from component unit | - | 1,764 | - | - | 6,963 |
| Advance to component unit | - | - | - | - | 4,669 |
| Loans receivable (net of allowance for uncollectible amounts) | - | - | - | - | 129,223 |
| Other assets | - | 82 | - | - | 17,131 |
| Total assets | $ 17,437 | $ 172,603 | $ 934 | $ 11,184 | $ 3,235,722 |
| Liabilities: | | | | | |
| Accounts payable | $ 1,194 | $ 7,219 | $ 584 | $ 332 | $ 126,839 |
| Accrued payroll | 1,631 | 248 | - | 459 | 20,535 |
| Unearned grant and subvention revenues | - | - | - | - | 106,544 |
| Due to other funds | - | 47,837 | 350 | - | 48,851 |
| Unearned revenues and other liabilities | 1,705 | - | - | 135 | 894,016 |
| Bonds, loans, capital leases, and other payables | - | - | - | - | 18,712 |
| Total liabilities | 4,530 | 55,304 | 934 | 926 | 1,215,497 |
| Deferred inflows of resources | 438 | 9,519 | 729 | - | 196,225 |
| Fund balances: | | | | | |
| Nonspendable | - | 82 | - | - | 82 |
| Restricted | 12,469 | 107,698 | - | 10,258 | 1,699,328 |
| Assigned | - | - | - | - | 125,319 |
| Unassigned | - | - | (729) | - | (729) |
| Total fund balances | 12,469 | 107,780 | (729) | 10,258 | 1,824,000 |
| Total liabilities, deferred inflows of resources and fund balances | $ 17,437 | $ 172,603 | $ 934 | $ 11,184 | $ 3,235,722 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2020
(In Thousands)

| | Building Inspection Fund | Children and Families Fund | Community / Neighborhood Development Fund | Community Health Services Fund | Convention Facilities Fund | Courts Fund |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Property taxes | $ - | $ 108,837 | $ - | $ - | $ - | $ - |
| Business taxes | - | - | 11,777 | - | - | - |
| Sales and use tax | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - |
| Licenses, permits, and franchises | 6,777 | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | 670 | 5,210 | - | 18 |
| Interest and investment income | 4,231 | 7,583 | 27,051 | 1,474 | 1,378 | 35 |
| Rents and concessions | - | - | 625 | - | 42,138 | - |
| Intergovernmental: | | | | | | |
| Federal | - | 10,903 | 34,780 | 58,170 | - | - |
| State | - | 15,769 | 784 | 47,233 | - | - |
| Other | - | - | 5,000 | - | - | - |
| Charges for services | 63,565 | - | 15,170 | 4,204 | - | 1,907 |
| Other | 8 | 399 | 98,058 | 5,173 | 1,445 | - |
| Total revenues | 74,581 | 143,491 | 193,915 | 121,464 | 44,961 | 1,960 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public protection | - | 99 | - | - | - | 356 |
| Public works, transportation and commerce | 78,613 | - | 37,129 | 1,032 | 36 | - |
| Human welfare and neighborhood development | - | 318,695 | 334,233 | 486 | - | - |
| Community health | - | - | 3,638 | 112,428 | - | - |
| Culture and recreation | - | - | 1,106 | - | 47,338 | - |
| General administration and finance | - | - | 4,416 | 26 | - | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | 487 | - | - | - |
| Bond issuance costs | - | - | 676 | - | - | - |
| Total expenditures | 78,613 | 318,794 | 381,685 | 113,972 | 47,374 | 356 |
| Excess (deficiency) of revenues over (under) expenditures | (4,032) | (175,303) | (187,770) | 7,492 | (2,413) | 1,604 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | 181,911 | 81,836 | 328 | 30,826 | 666 |
| Transfers out | (171) | (613) | (8,407) | - | (31,710) | (2,377) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | - | - | 92,725 | - | - | - |
| Premium on issuance of bonds | - | - | 207 | - | - | - |
| Total other financing sources (uses) | (171) | 181,298 | 166,361 | 328 | (884) | (1,711) |
| Net changes in fund balances | (4,203) | 5,995 | (21,409) | 7,820 | (3,297) | (107) |
| Fund balances at beginning of year | 166,226 | 178,249 | 775,003 | 33,045 | 48,127 | 1,226 |
| Fund balances at end of year | $ 162,023 | $ 184,244 | $ 753,594 | $ 40,865 | $ 44,830 | $ 1,119 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Culture and Recreation Fund | Environmental Protection Fund | Gasoline Tax Fund | General Services Fund | Gift and Other Expendable Trusts Fund | Golf Fund |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - |
| Hotel room tax | 28,800 | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - |
| Licenses, permits, and franchises | 71 | - | - | 1,590 | - | - |
| Fines, forfeitures, and penalties | 1 | - | - | - | 995 | - |
| Interest and investment income | 677 | 21 | 1,499 | 639 | 562 | 277 |
| Rents and concessions | 465 | - | - | 647 | - | 3,349 |
| Intergovernmental: | | | | | | |
| Federal | 21 | 355 | - | 100 | - | - |
| State | 50 | 5,503 | 53,746 | 17,619 | - | - |
| Other | - | 158 | - | - | - | - |
| Charges for services | 5,539 | 53 | 393 | 1,807 | 14 | 7,000 |
| Other | 3,227 | 182 | 14 | 913 | 19,133 | - |
| Total revenues | 38,851 | 6,272 | 55,652 | 23,315 | 20,704 | 10,626 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public protection | - | - | - | 162 | 187 | - |
| Public works, transportation and commerce | 604 | - | 36,104 | 15,000 | 1,232 | - |
| Human welfare and neighborhood development | 867 | 6,039 | - | 105 | 3,933 | - |
| Community health | - | - | - | - | 203 | - |
| Culture and recreation | 18,347 | - | - | 672 | 599 | 16,999 |
| General administration and finance | 16,250 | 91 | 13 | 6,703 | 1,491 | - |
| Debt service: | | | | | | |
| Principal retirement | 480 | - | - | - | - | - |
| Interest and other fiscal charges | 980 | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - |
| Total expenditures | 37,528 | 6,130 | 36,117 | 22,642 | 7,645 | 16,999 |
| Excess (deficiency) of revenues over (under) expenditures | 1,323 | 142 | 19,535 | 673 | 13,059 | (6,373) |
| Other financing sources (uses): | | | | | | |
| Transfers in | 7,094 | 52 | - | 158 | - | 7,450 |
| Transfers out | (445) | (21) | (3,129) | (238) | (302) | (1,180) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | - | - | - | - | - | - |
| Premium on issuance of bonds | - | - | - | - | - | - |
| Total other financing sources (uses) | 6,649 | 31 | (3,129) | (80) | (302) | 6,270 |
| Net changes in fund balances | 7,972 | 173 | 16,406 | 593 | 12,757 | (103) |
| Fund balances at beginning of year | 26,243 | 986 | 54,002 | 27,091 | 18,330 | 9,892 |
| Fund balances at end of year | $ 34,215 | $ 1,159 | $ 70,408 | $ 27,684 | $ 31,087 | $ 9,789 |

*(Continued)*

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Human Welfare Fund | Low and Moderate Income Housing Asset Fund | Open Space and Park Fund | Public Library Fund | Public Protection Fund | Public Works, Transportation and Commerce Fund |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Property taxes | $ - | $ - | $ 68,084 | $ 68,084 | $ - | $ - |
| Business taxes | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | 5,264 |
| Licenses, permits, and franchises | 213 | - | - | - | 487 | - |
| Fines, forfeitures, and penalties | 8 | - | - | - | 16,028 | 97 |
| Interest and investment income | 1,554 | 4,074 | 1,073 | 2,338 | 1,619 | 1,595 |
| Rents and concessions | - | 6,506 | - | 3 | - | 6 |
| Intergovernmental: | | | | | | |
| Federal | 41,007 | - | - | 15 | 30,595 | 7 |
| State | 19,955 | - | 154 | 214 | 21,228 | - |
| Other | - | 1,773 | - | - | 20 | 12,155 |
| Charges for services | 148 | - | - | 245 | 22,449 | 45,172 |
| Other | - | 9,723 | - | - | 447 | 637 |
| Total revenues | 62,885 | 22,076 | 69,311 | 70,899 | 92,873 | 64,933 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public protection | - | - | - | - | 71,126 | - |
| Public works, transportation and commerce | 5,861 | - | 3,683 | 6,873 | - | 66,473 |
| Human welfare and neighborhood development | 106,719 | 18,822 | - | - | 4,400 | 15,981 |
| Community health | - | - | - | - | 1,385 | - |
| Culture and recreation | - | - | 60,958 | 140,990 | - | - |
| General administration and finance | - | - | - | 13 | 3,321 | 15 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - |
| Total expenditures | 112,580 | 18,822 | 64,641 | 147,876 | 80,232 | 82,469 |
| Excess (deficiency) of revenues over (under) expenditures | (49,695) | 3,254 | 4,670 | (76,977) | 12,641 | (17,536) |
| Other financing sources (uses): | | | | | | |
| Transfers in | 55,385 | - | 1,180 | 90,147 | - | 20,339 |
| Transfers out | - | (2) | (3,074) | (2,435) | (2,593) | (1,260) |
| Issuance of bonds: | | | | | | |
| Face value of bonds issued | - | - | - | - | - | - |
| Premium on issuance of bonds | - | - | - | - | - | - |
| Total other financing sources (uses) | 55,385 | (2) | (1,894) | 87,712 | (2,593) | 19,079 |
| Net changes in fund balances | 5,690 | 3,252 | 2,776 | 10,735 | 10,048 | 1,543 |
| Fund balances at beginning of year | 10,381 | 42,529 | 51,598 | 87,245 | 44,476 | 62,932 |
| Fund balances at end of year | $ 16,071 | $ 45,781 | $ 54,374 | $ 97,980 | $ 54,524 | $ 64,475 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Real Property Fund | San Francisco County Transportation Authority Fund | Senior Citizens Program Fund | War Memorial Fund | Total |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ 245,005 |
| Business taxes | - | - | - | - | 11,777 |
| Sales and use tax | - | 99,269 | - | - | 99,269 |
| Hotel room tax | - | - | - | - | 28,800 |
| Other local taxes | - | - | - | - | 5,264 |
| Licenses, permits, and franchises | - | 4,016 | - | - | 13,154 |
| Fines, forfeitures, and penalties | - | - | - | - | 23,027 |
| Interest and investment income | 220 | 2,783 | - | 300 | 60,983 |
| Rents and concessions | 51,899 | - | - | 3,070 | 108,708 |
| Intergovernmental: | | | | | |
| Federal | 19 | 6,559 | 6,137 | 6 | 188,674 |
| State | - | 118 | 644 | - | 183,017 |
| Other | 674 | 3,935 | - | - | 23,715 |
| Charges for services | 595 | - | - | 385 | 168,646 |
| Other | 1,928 | 44 | 24 | - | 141,355 |
| Total revenues | 55,335 | 116,724 | 6,805 | 3,761 | 1,301,394 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public protection | - | - | - | - | 71,930 |
| Public works, transportation and commerce | 1,450 | 30,982 | - | 275 | 285,347 |
| Human welfare and neighborhood development | - | - | 7,243 | - | 817,523 |
| Community health | - | - | - | - | 117,654 |
| Culture and recreation | - | - | - | 17,698 | 304,707 |
| General administration and finance | 56,217 | - | - | - | 88,556 |
| Debt service: | | | | | |
| Principal retirement | - | 12,920 | - | - | 13,400 |
| Interest and other fiscal charges | - | 8,853 | - | - | 10,320 |
| Bond issuance costs | - | - | - | - | 676 |
| Total expenditures | 57,667 | 52,755 | 7,243 | 17,973 | 1,710,113 |
| Excess (deficiency) of revenues over (under) expenditures | (2,332) | 63,969 | (438) | (14,212) | (408,719) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | 40 | 13,585 | 490,997 |
| Transfers out | (8,755) | (70,819) | - | (56) | (137,587) |
| Issuance of bonds: | | | | | |
| Face value of bonds issued | - | - | - | - | 92,725 |
| Premium on issuance of bonds | - | - | - | - | 207 |
| Total other financing sources (uses) | (8,755) | (70,819) | 40 | 13,529 | 446,342 |
| Net changes in fund balances | (11,087) | (6,850) | (398) | (683) | 37,623 |
| Fund balances at beginning of year | 23,556 | 114,630 | (331) | 10,941 | 1,786,377 |
| Fund balances at end of year | $ 12,469 | $ 107,780 | $ (729) | $ 10,258 | $ 1,824,000 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2020
(In Thousands)

| | Building Inspection Fund | | | | Children and Families Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ 104,470 | $ 104,470 | $ 108,837 | $ 4,367 |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | 6,520 | 6,520 | 6,777 | 257 | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | - | - | - | - | - | - |
| Interest and investment income | 985 | 985 | 3,409 | 2,424 | 407 | 3,377 | 3,793 | 416 |
| Rents and concessions | - | - | - | - | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | 10,848 | 11,691 | 10,692 | (999) |
| State | - | - | - | - | 14,590 | 16,098 | 16,275 | 177 |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | 61,762 | 61,976 | 63,383 | 1,407 | - | - | - | - |
| Other | - | - | 8 | 8 | 400 | 400 | 400 | - |
| Total revenues | 69,267 | 69,481 | 73,577 | 4,096 | 130,715 | 136,036 | 139,997 | 3,961 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | 172 | 99 | 99 | - |
| Public works, transportation and commerce | 96,327 | 87,174 | 78,613 | 8,561 | - | - | - | - |
| Human welfare and neighborhood development | - | - | - | - | 338,362 | 319,774 | 318,694 | 1,080 |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| General administration and finance | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 96,327 | 87,174 | 78,613 | 8,561 | 338,534 | 319,873 | 318,793 | 1,080 |
| Excess (deficiency) of revenues over (under) expenditures | (27,060) | (17,693) | (5,036) | 12,657 | (207,819) | (183,837) | (178,796) | 5,041 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 196,740 | 181,911 | 181,911 | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 196,740 | 181,911 | 181,911 | - |
| Net changes in fund balances | (27,060) | (17,693) | (5,036) | 12,657 | (11,079) | (1,926) | 3,115 | 5,041 |
| Budgetary fund balances, July 1 | 27,060 | 165,614 | 165,614 | - | 11,079 | 180,196 | 180,196 | - |
| Budgetary fund balances, June 30 | $ - | $ 147,921 | $ 160,578 | $ 12,657 | $ - | $ 178,270 | $ 183,311 | $ 5,041 |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020
(In Thousands)

| | Community / Neighborhood Development Fund | | | | Community Health Services Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | 22,100 | 11,777 | 11,777 | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | 669 | 670 | 1 | 2,241 | 5,210 | 5,210 | - |
| Interest and investment income | 9 | 16,979 | 16,979 | - | 210 | 1,275 | 1,275 | - |
| Rents and concessions | 30 | 693 | 693 | - | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Federal | 4,991 | 34,558 | 34,558 | - | 59,354 | 50,877 | 50,877 | - |
| State | 1,875 | 1,242 | 1,242 | - | 47,120 | 48,730 | 48,730 | - |
| Other | - | 5,000 | 5,000 | - | - | - | - | - |
| Charges for services | 12,473 | 15,096 | 15,170 | 74 | 130 | 4,204 | 4,204 | - |
| Other | 23,150 | 98,075 | 98,075 | - | 5,291 | 5,337 | 5,337 | - |
| Total revenues | 64,628 | 184,089 | 184,164 | 75 | 114,346 | 115,633 | 115,633 | - |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | 13,741 | 37,131 | 37,129 | 2 | - | 1,032 | 1,032 | - |
| Human welfare and neighborhood development | 121,988 | 350,133 | 348,794 | 1,339 | 609 | 486 | 486 | - |
| Community health | 21,700 | 3,638 | 3,638 | - | 118,737 | 112,171 | 112,171 | - |
| Culture and recreation | 5,274 | 1,106 | 1,106 | - | - | - | - | - |
| General administration and finance | 9,419 | 4,416 | 4,416 | - | - | 26 | 26 | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | 10,045 | 10,045 | - | - | - | - | - |
| Interest and other fiscal charges | - | 487 | 487 | - | - | - | - | - |
| Bond issuance costs | - | 468 | 468 | - | - | - | - | - |
| Total expenditures | 172,122 | 407,424 | 406,083 | 1,341 | 119,346 | 113,715 | 113,715 | - |
| Excess (deficiency) of revenues over (under) expenditures | (107,494) | (223,335) | (221,919) | 1,416 | (5,000) | 1,918 | 1,918 | - |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 102,791 | 81,836 | 81,836 | - | - | 71 | 71 | - |
| Transfers out | (10) | (3,631) | (3,631) | - | - | - | - | - |
| Issuance of commercial paper | - | 14,754 | 14,754 | - | - | - | - | - |
| Issuance of bonds | - | 92,725 | 92,725 | - | - | - | - | - |
| Budget reserves and designations | 372 | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 103,153 | 185,684 | 185,684 | - | - | 71 | 71 | - |
| Net changes in fund balances | (4,341) | (37,651) | (36,235) | 1,416 | (5,000) | 1,989 | 1,989 | - |
| Budgetary fund balances, July 1 | 4,341 | 794,857 | 794,857 | - | 5,000 | 54,290 | 54,290 | - |
| Budgetary fund balances, June 30 | $ - | $ 757,206 | $ 758,622 | $ 1,416 | $ - | $ 56,279 | $ 56,279 | $ - |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Convention Facilities Fund | | | | Courts Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | - | - | 4 | 4 | 18 | 14 |
| Interest and investment income | - | 141 | 141 | - | - | - | - | - |
| Rents and concessions | 58,375 | 57,311 | 42,138 | (15,173) | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | - | - | - | - |
| State | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 2,110 | 2,110 | 1,907 | (203) |
| Other | - | 1,445 | 1,445 | - | - | - | - | - |
| Total revenues | 58,375 | 58,897 | 43,724 | (15,173) | 2,114 | 2,114 | 1,925 | (189) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | 2,780 | 437 | 356 | 81 |
| Public works, transportation and commerce | - | 36 | 36 | - | - | - | - | - |
| Human welfare and neighborhood development | - | - | - | - | - | - | - | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | 68,115 | 59,328 | 47,338 | 11,990 | - | - | - | - |
| General administration and finance | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | 28,086 | 506 | 506 | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 96,201 | 59,870 | 47,880 | 11,990 | 2,780 | 437 | 356 | 81 |
| Excess (deficiency) of revenues over (under) expenditures | (37,826) | (973) | (4,156) | (3,183) | (666) | 1,677 | 1,569 | (108) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 34,826 | 30,826 | 30,826 | - | 666 | 666 | 666 | - |
| Transfers out | - | (29,967) | (29,967) | - | - | (2,343) | (2,343) | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 34,826 | 859 | 859 | - | 666 | (1,677) | (1,677) | - |
| Net changes in fund balances | (3,000) | (114) | (3,297) | (3,183) | - | - | (108) | (108) |
| Budgetary fund balances, July 1 | 3,000 | 52,895 | 52,895 | - | - | 1,236 | 1,236 | - |
| Budgetary fund balances, June 30 | $ - | $ 52,781 | $ 49,598 | $ (3,183) | $ - | $ 1,236 | $ 1,128 | $ (108) |



CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Culture and Recreation Fund | | | | Environmental Protection Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | 33,441 | 28,800 | 28,800 | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | 154 | 71 | 71 | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | 1 | 1 | - | - | - | - | - |
| Interest and investment income | 25 | 207 | 182 | (25) | - | - | - | - |
| Rents and concessions | 502 | 502 | 465 | (37) | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | 21 | 21 | - | - | 129 | 129 | - |
| State | - | 46 | 46 | - | 4,673 | 5,486 | 5,486 | - |
| Other | - | - | - | - | 1 | 140 | 140 | - |
| Charges for services | 6,275 | 5,379 | 5,539 | 160 | 157 | 115 | 53 | (62) |
| Other | 1,818 | 3,228 | 3,228 | - | 1,949 | 2,059 | 193 | (1,866) |
| Total revenues | 42,215 | 38,255 | 38,353 | 98 | 6,780 | 7,929 | 6,001 | (1,928) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | 1,052 | 604 | 604 | - | - | - | - | - |
| Human welfare and neighborhood development | 3,135 | 867 | 867 | - | 6,781 | 7,684 | 6,039 | 1,645 |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | 24,370 | 18,834 | 18,347 | 487 | - | - | - | - |
| General administration and finance | 16,737 | 16,250 | 16,250 | - | - | 91 | 91 | - |
| Debt service: | | | | | | | | |
| Principal retirement | 691 | 453 | 453 | - | - | - | - | - |
| Interest and other fiscal charges | 1,049 | 1,290 | 1,290 | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 47,034 | 38,298 | 37,811 | 487 | 6,781 | 7,775 | 6,130 | 1,645 |
| Excess (deficiency) of revenues over (under) expenditures | (4,819) | (43) | 542 | 585 | (1) | 154 | (129) | (283) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 4,652 | 7,094 | 7,094 | - | - | 52 | 52 | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 4,652 | 7,094 | 7,094 | - | - | 52 | 52 | - |
| Net changes in fund balances | (167) | 7,051 | 7,636 | 585 | (1) | 206 | (77) | (283) |
| Budgetary fund balances, July 1 | 167 | 29,445 | 29,445 | - | 1 | 1,529 | 1,529 | - |
| Budgetary fund balances, June 30 | $ - | $ 36,496 | $ 37,081 | $ 585 | $ - | $ 1,735 | $ 1,452 | $ (283) |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020
(In Thousands)

| | Gasoline Tax Fund | | | | General Services Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | 2,728 | 2,132 | 2,132 | - |
| Fines, forfeitures, and penalties | - | - | - | - | - | - | - | - |
| Interest and investment income | 42 | 632 | 1,121 | 489 | 55 | 324 | 324 | - |
| Rents and concessions | - | - | - | - | - | 647 | 647 | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | - | 169 | 169 | - |
| State | 39,528 | 54,116 | 53,746 | (370) | 546 | 17,619 | 17,619 | - |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | 9,118 | 800 | 666 | (134) | 1,799 | 1,807 | 1,807 | - |
| Other | - | - | 14 | 14 | 1,390 | 877 | 877 | - |
| Total revenues | 48,688 | 55,548 | 55,547 | (1) | 6,518 | 23,575 | 23,575 | - |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | 340 | 162 | 162 | - |
| Public works, transportation and commerce | 46,617 | 37,440 | 36,104 | 1,336 | - | 15,000 | 15,000 | - |
| Human welfare and neighborhood development | - | - | - | - | - | 105 | 105 | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | 672 | 672 | - |
| General administration and finance | - | 13 | 13 | - | 6,658 | 6,820 | 6,703 | 117 |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 46,617 | 37,453 | 36,117 | 1,336 | 6,998 | 22,759 | 22,642 | 117 |
| Excess (deficiency) of revenues over (under) expenditures | 2,071 | 18,095 | 19,430 | 1,335 | (480) | 816 | 933 | 117 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 159 | 158 | 158 | - |
| Transfers out | (3,099) | (3,099) | (3,039) | 60 | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | (55) | - | - | - |
| Total other financing sources (uses) | (3,099) | (3,099) | (3,039) | 60 | 104 | 158 | 158 | - |
| Net changes in fund balances | (1,028) | 14,996 | 16,391 | 1,395 | (376) | 974 | 1,091 | 117 |
| Budgetary fund balances, July 1 | 1,028 | 53,784 | 53,784 | - | 376 | 27,116 | 27,116 | - |
| Budgetary fund balances, June 30 | $ - | $ 68,780 | $ 70,175 | $ 1,395 | $ - | $ 28,090 | $ 28,207 | $ 117 |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020
(In Thousands)

| | Gift and Other Expendable Trusts Fund | | | | Golf Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | 973 | 973 | - | - | - | - | - |
| Interest and investment income | - | 121 | 121 | - | 20 | 86 | 239 | 153 |
| Rents and concessions | - | - | - | - | 4,513 | 4,513 | 3,346 | (1,167) |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | - | - | - | - |
| State | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | - | 14 | 14 | - | 7,837 | 7,743 | 7,000 | (743) |
| Other | 632 | 19,139 | 19,139 | - | - | - | - | - |
| Total revenues | 632 | 20,247 | 20,247 | - | 12,370 | 12,342 | 10,585 | (1,757) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | 187 | 187 | - | - | - | - | - |
| Public works, transportation and commerce | - | 1,232 | 1,232 | - | - | - | - | - |
| Human welfare and neighborhood development | 187 | 3,933 | 3,933 | - | - | - | - | - |
| Community health | - | 203 | 203 | - | - | - | - | - |
| Culture and recreation | 445 | 599 | 599 | - | 18,640 | 18,544 | 16,999 | 1,545 |
| General administration and finance | - | 1,491 | 1,491 | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 632 | 7,645 | 7,645 | - | 18,640 | 18,544 | 16,999 | 1,545 |
| Excess (deficiency) of revenues over (under) expenditures | - | 12,602 | 12,602 | - | (6,270) | (6,202) | (6,414) | (212) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 7,450 | 7,450 | 7,450 | - |
| Transfers out | - | - | - | - | (1,180) | (1,180) | (1,180) | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 6,270 | 6,270 | 6,270 | - |
| Net changes in fund balances | - | 12,602 | 12,602 | - | - | 68 | (144) | (212) |
| Budgetary fund balances, July 1 | - | 18,437 | 18,437 | - | - | 9,856 | 9,856 | - |
| Budgetary fund balances, June 30 | $ - | $ 31,039 | $ 31,039 | $ - | $ - | $ 9,924 | $ 9,712 | $ (212) |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Human Welfare Fund | | | | Low and Moderate Income Housing Asset Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | 310 | 310 | 213 | (97) | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | 8 | 8 | - | - | - | - |
| Interest and investment income | - | 1,293 | 1,293 | - | - | 3,869 | 3,869 | - |
| Rents and concessions | - | - | - | - | 5,000 | 6,506 | 6,506 | - |
| Intergovernmental: | | | | | | | | |
| Federal | 52,274 | 39,489 | 39,489 | - | - | - | - | - |
| State | 38,724 | 19,891 | 19,891 | - | - | - | - | - |
| Other | 200 | - | - | - | 1,773 | 1,773 | 1,773 | - |
| Charges for services | 161 | 148 | 148 | - | - | - | - | - |
| Other | - | - | - | - | - | 9,723 | 9,723 | - |
| Total revenues | 91,669 | 61,131 | 61,042 | (89) | 6,773 | 21,871 | 21,871 | - |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | - | 5,861 | 5,861 | - | - | - | - | - |
| Human welfare and neighborhood development | 146,933 | 107,394 | 106,565 | 829 | 5,000 | 18,822 | 18,822 | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| General administration and finance | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | 1,773 | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 146,933 | 113,255 | 112,426 | 829 | 6,773 | 18,822 | 18,822 | - |
| Excess (deficiency) of revenues over (under) expenditures | (55,264) | (52,124) | (51,384) | 740 | - | 3,049 | 3,049 | - |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 55,221 | 55,231 | 55,231 | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 55,221 | 55,231 | 55,231 | - | - | - | - | - |
| Net changes in fund balances | (43) | 3,107 | 3,847 | 740 | - | 3,049 | 3,049 | - |
| Budgetary fund balances, July 1 | 43 | 12,239 | 12,239 | - | - | 47,405 | 47,405 | - |
| Budgetary fund balances, June 30 | $ - | $ 15,346 | $ 16,086 | $ 740 | $ - | $ 50,454 | $ 50,454 | $ - |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Open Space and Park Fund | | | | Public Library Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ 65,295 | $ 65,295 | $ 68,084 | $ 2,789 | $ 65,295 | $ 65,295 | $ 68,084 | $ 2,789 |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | - | - | - | - | - | - |
| Interest and investment income | 150 | 167 | 840 | 673 | 222 | 246 | 946 | 700 |
| Rents and concessions | - | - | - | - | 4 | 4 | 4 | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | - | - | - | 15 | 15 | - |
| State | 170 | 170 | 154 | (16) | 220 | 230 | 214 | (16) |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 466 | 462 | 245 | (217) |
| Other | - | - | - | - | - | - | - | - |
| Total revenues | 65,615 | 65,632 | 69,078 | 3,446 | 66,207 | 66,252 | 69,508 | 3,256 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | - | 3,683 | 3,683 | - | - | 6,927 | 6,873 | 54 |
| Human welfare and neighborhood development | - | - | - | - | - | - | - | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | 63,752 | 61,691 | 60,958 | 733 | 171,401 | 146,589 | 140,990 | 5,599 |
| General administration and finance | - | - | - | - | - | 13 | 13 | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 63,752 | 65,374 | 64,641 | 733 | 171,401 | 153,529 | 147,876 | 5,653 |
| Excess (deficiency) of revenues over (under) expenditures | 1,863 | 258 | 4,437 | 4,179 | (105,194) | (87,277) | (78,368) | 8,909 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 1,180 | 1,180 | 1,180 | - | 96,150 | 90,147 | 90,147 | - |
| Transfers out | (3,074) | (3,074) | (3,074) | - | - | (1,140) | (1,140) | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (1,894) | (1,894) | (1,894) | - | 96,150 | 89,007 | 89,007 | - |
| Net changes in fund balances | (31) | (1,636) | 2,543 | 4,179 | (9,044) | 1,730 | 10,639 | 8,909 |
| Budgetary fund balances, July 1 | 31 | 51,382 | 51,382 | - | 9,044 | 89,839 | 89,839 | - |
| Budgetary fund balances, June 30 | $ - | $ 49,746 | $ 53,925 | $ 4,179 | $ - | $ 91,569 | $ 100,478 | $ 8,909 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Public Protection Fund | | | | Public Works, Transportation and Commerce Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | 5,264 | 5,264 | - |
| Licenses, permits, and franchises | 1,016 | 487 | 487 | - | - | - | - | - |
| Fines, forfeitures, and penalties | 5,808 | 16,028 | 16,028 | - | - | 692 | 692 | - |
| Interest and investment income | 3 | 239 | 239 | - | - | 117 | 117 | - |
| Rents and concessions | - | - | - | - | - | 2 | 6 | 4 |
| Intergovernmental: | | | | | | | | |
| Federal | 31,243 | 30,782 | 30,782 | - | - | 7 | 7 | - |
| State | 31,238 | 21,657 | 21,657 | - | - | - | - | - |
| Other | 17 | 20 | 20 | - | 200 | 12,714 | 12,714 | - |
| Charges for services | 3,653 | 22,003 | 22,003 | - | 28,702 | 43,577 | 43,028 | (549) |
| Other | 548 | 447 | 447 | - | - | 536 | 630 | 94 |
| Total revenues | 73,526 | 91,663 | 91,663 | - | 28,902 | 62,909 | 62,458 | (451) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | 55,560 | 71,126 | 71,126 | - | - | - | - | - |
| Public works, transportation and commerce | - | - | - | - | 34,606 | 66,480 | 66,473 | 7 |
| Human welfare and neighborhood development | 15,352 | 4,400 | 4,400 | - | 16,534 | 16,653 | 15,981 | 672 |
| Community health | - | 1,385 | 1,385 | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| General administration and finance | 4,560 | 3,321 | 3,321 | - | 200 | 15 | 15 | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 75,472 | 80,232 | 80,232 | - | 51,340 | 83,148 | 82,469 | 679 |
| Excess (deficiency) of revenues over (under) expenditures | (1,946) | 11,431 | 11,431 | - | (22,438) | (20,239) | (20,011) | 228 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 21,670 | 20,339 | 20,339 | - |
| Transfers out | (1,268) | (1,258) | (1,258) | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (1,268) | (1,258) | (1,258) | - | 21,670 | 20,339 | 20,339 | - |
| Net changes in fund balances | (3,214) | 10,173 | 10,173 | - | (768) | 100 | 328 | 228 |
| Budgetary fund balances, July 1 | 3,214 | 60,804 | 60,804 | - | 768 | 71,120 | 71,120 | - |
| Budgetary fund balances, June 30 | $ - | $ 70,977 | $ 70,977 | $ - | $ - | $ 71,220 | $ 71,448 | $ 228 |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Real Property Fund | | | | San Francisco County Transportation Authority Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | 110,862 | 86,554 | 99,270 | 12,716 |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | 4,930 | 4,930 | 4,016 | (914) |
| Fines, forfeitures, and penalties | - | - | - | - | - | - | - | - |
| Interest and investment income | - | - | 54 | 54 | 1,622 | 2,538 | 2,782 | 244 |
| Rents and concessions | 14,476 | 55,658 | 52,337 | (3,321) | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Federal | - | 19 | 19 | - | 23,180 | 12,841 | 6,559 | (6,282) |
| State | - | - | - | - | 2,148 | 610 | 118 | (492) |
| Other | 674 | 674 | 674 | - | 5,694 | 6,412 | 3,935 | (2,477) |
| Charges for services | 710 | 710 | 595 | (115) | - | - | - | - |
| Other | 500 | 500 | 1,928 | 1,428 | 46 | 46 | 44 | (2) |
| Total revenues | 16,360 | 57,561 | 55,607 | (1,954) | 148,482 | 113,931 | 116,724 | 2,793 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | - | 1,452 | 1,450 | 2 | 253,444 | 177,044 | 101,801 | 75,243 |
| Human welfare and neighborhood development | - | - | - | - | - | - | - | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - | - |
| General administration and finance | 17,241 | 56,196 | 56,196 | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | 12,920 | 12,920 | 12,920 | - |
| Interest and other fiscal charges | - | - | - | - | 9,394 | 8,874 | 8,853 | 21 |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 17,241 | 57,648 | 57,646 | 2 | 275,758 | 198,838 | 123,574 | 75,264 |
| Excess (deficiency) of revenues over (under) expenditures | (881) | (87) | (2,039) | (1,952) | (127,276) | (84,907) | (6,850) | 78,057 |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | (8,541) | (8,541) | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | 67,000 | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | (8,541) | (8,541) | - | 67,000 | - | - | - |
| Net changes in fund balances | (881) | (8,628) | (10,580) | (1,952) | (60,276) | (84,907) | (6,850) | 78,057 |
| Budgetary fund balances, July 1 | 881 | 23,327 | 23,327 | - | 114,630 | 114,630 | 114,630 | - |
| Budgetary fund balances, June 30 | $ - | $ 14,699 | $ 12,747 | $ (1,952) | $ 54,354 | $ 29,723 | $ 107,780 | $ 78,057 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)

| | Senior Citizens Program Fund | | | | War Memorial Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business taxes | - | - | - | - | - | - | - | - |
| Sales and use tax | - | - | - | - | - | - | - | - |
| Hotel room tax | - | - | - | - | - | - | - | - |
| Other local taxes | - | - | - | - | - | - | - | - |
| Licenses, permits, and franchises | - | - | - | - | - | - | - | - |
| Fines, forfeitures, and penalties | - | - | - | - | - | - | - | - |
| Interest and investment income | - | - | - | - | - | 95 | 212 | 117 |
| Rents and concessions | - | - | - | - | 3,271 | 3,761 | 3,070 | (691) |
| Intergovernmental: | | | | | | | | |
| Federal | 6,013 | 6,301 | 6,301 | - | - | 6 | 6 | - |
| State | 552 | 877 | 877 | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | 431 | 489 | 385 | (104) |
| Other | - | 24 | 24 | - | - | - | - | - |
| Total revenues | 6,565 | 7,202 | 7,202 | - | 3,702 | 4,351 | 3,673 | (678) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Public protection | - | - | - | - | - | - | - | - |
| Public works, transportation and commerce | - | - | - | - | - | 275 | 275 | - |
| Human welfare and neighborhood development | 6,566 | 7,202 | 7,202 | - | - | - | - | - |
| Community health | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 17,984 | 18,222 | 17,698 | 524 |
| General administration and finance | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - |
| Total expenditures | 6,566 | 7,202 | 7,202 | - | 17,984 | 18,497 | 17,973 | 524 |
| Excess (deficiency) of revenues over (under) expenditures | (1) | - | - | - | (14,282) | (14,146) | (14,300) | (154) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 13,835 | 13,585 | 13,585 | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Issuance of commercial paper | - | - | - | - | - | - | - | - |
| Issuance of bonds | - | - | - | - | - | - | - | - |
| Budget reserves and designations | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 13,835 | 13,585 | 13,585 | - |
| Net changes in fund balances | (1) | - | - | - | (447) | (561) | (715) | (154) |
| Budgetary fund balances, July 1 | 1 | 1 | 1 | - | 447 | 10,865 | 10,865 | - |
| Budgetary fund balances, June 30 | $ - | $ 1 | $ 1 | $ - | $ - | $ 10,304 | $ 10,150 | $ (154) |




## CITY AND COUNTY OF SAN FRANCISCO

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2020

(In Thousands)


| | Total | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | |
| Property taxes | $ 235,060 | $ 235,060 | $ 245,005 | $ 9,945 |
| Business taxes | 22,100 | 11,777 | 11,777 | - |
| Sales and use tax | 110,862 | 86,554 | 99,270 | 12,716 |
| Hotel room tax | 33,441 | 28,800 | 28,800 | - |
| Other local taxes | - | 5,264 | 5,264 | - |
| Licenses, permits, and franchises | 15,658 | 14,450 | 13,696 | (754) |
| Fines, forfeitures, and penalties | 8,053 | 23,577 | 23,600 | 23 |
| Interest and investment income | 3,750 | 32,691 | 37,936 | 5,245 |
| Rents and concessions | 86,171 | 129,597 | 109,212 | (20,385) |
| Intergovernmental: | | | | |
| Federal | 187,903 | 186,905 | 179,624 | (7,281) |
| State | 181,384 | 186,772 | 186,055 | (717) |
| Other | 8,559 | 26,733 | 24,256 | (2,477) |
| Charges for services | 135,784 | 166,633 | 166,147 | (486) |
| Other | 35,724 | 141,836 | 141,512 | (324) |
| Total revenues | 1,064,449 | 1,276,649 | 1,272,154 | (4,495) |
| Expenditures: | | | | |
| Current: | | | | |
| Public protection | 58,852 | 72,011 | 71,930 | 81 |
| Public works, transportation and commerce | 445,787 | 441,371 | 356,166 | 85,205 |
| Human welfare and neighborhood development | 661,447 | 837,453 | 831,888 | 5,565 |
| Community health | 140,437 | 117,397 | 117,397 | - |
| Culture and recreation | 369,981 | 325,585 | 304,707 | 20,878 |
| General administration and finance | 54,815 | 88,652 | 88,535 | 117 |
| Debt service: | | | | |
| Principal retirement | 43,470 | 23,924 | 23,924 | - |
| Interest and other fiscal charges | 10,443 | 10,651 | 10,630 | 21 |
| Bond issuance costs | - | 468 | 468 | - |
| Total expenditures | 1,785,232 | 1,917,512 | 1,805,645 | 111,867 |
| Excess (deficiency) of revenues over (under) expenditures | (720,783) | (640,863) | (533,491) | 107,372 |
| Other financing sources (uses): | | | | |
| Transfers in | 535,340 | 490,546 | 490,546 | - |
| Transfers out | (8,631) | (54,233) | (54,173) | 60 |
| Issuance of commercial paper | - | 14,754 | 14,754 | - |
| Issuance of bonds | 67,000 | 92,725 | 92,725 | - |
| Budget reserves and designations | 317 | - | - | - |
| Total other financing sources (uses) | 594,026 | 543,792 | 543,852 | 60 |
| Net changes in fund balances | (126,757) | (97,071) | 10,361 | 107,432 |
| Budgetary fund balances, July 1 | 181,111 | 1,870,867 | 1,870,867 | - |
| Budgetary fund balances, June 30 | $ 54,354 | $ 1,773,796 | $ 1,881,228 | $ 107,432 |

## CITY AND COUNTY OF SAN FRANCISCO

### Schedule of Current Expenditures by Department
### Budget and Actual – Budget Basis
### Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| BUILDING INSPECTION FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Building Inspection | $ 96,327 | $ 87,061 | $ 78,500 | $ 8,561 |
| Public Works | - | 113 | 113 | - |
| | 96,327 | 87,174 | 78,613 | 8,561 |
| Total Building Inspection Fund | 96,327 | 87,174 | 78,613 | 8,561 |
| CHILDREN AND FAMILIES FUND | | | | |
| **Human Welfare and Neighborhood Development** | | | | |
| Child Support Services | 13,407 | 15,143 | 14,595 | 548 |
| Children and Families Commission | 12,839 | 9,030 | 9,030 | - |
| Human Services | 76,847 | 51,196 | 51,196 | - |
| Mayor's Office | 235,269 | 244,405 | 243,873 | 532 |
| | 338,362 | 319,774 | 318,694 | 1,080 |
| **Public Protection** | | | | |
| Juvenile Probation | 172 | 99 | 99 | - |
| Total Children and Families Fund | 338,534 | 319,873 | 318,793 | 1,080 |
| COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Mayor's Office | 5,396 | 6,346 | 6,346 | - |
| Municipal Transportation Agency | - | 491 | 491 | - |
| Public Works | 8,345 | 30,152 | 30,150 | 2 |
| Port Commission | - | 5 | 5 | - |
| Public Utilities Commission | - | 137 | 137 | - |
| | 13,741 | 37,131 | 37,129 | 2 |
| **Human Welfare and Neighborhood Development** | | | | |
| Homelessness And Supportive Housing | 34,800 | 5,541 | 5,541 | - |
| Human Services | 12,760 | 3,608 | 3,608 | - |
| Mayor's Office | 65,283 | 331,824 | 331,822 | 2 |
| Rent Arbitration Board | 9,145 | 9,160 | 7,823 | 1,337 |
| | 121,988 | 350,133 | 348,794 | 1,339 |
| **Culture and Recreation** | | | | |
| Arts Commission | 50 | 41 | 41 | - |
| Recreation and Park Commission | 5,224 | 1,065 | 1,065 | - |
| | 5,274 | 1,106 | 1,106 | - |
| **Community Health** | | | | |
| Public Health | 21,700 | 3,638 | 3,638 | - |
| **General Administration and Finance** | | | | |
| Administrative Services | 2,300 | 1,181 | 1,181 | - |
| City Planning | 7,119 | 3,225 | 3,225 | |
| GSA - Technology | - | 10 | 10 | - |
| | 9,419 | 4,416 | 4,416 | - |
| Total Community / Neighborhood Development Fund | 172,122 | 396,424 | 395,083 | 1,341 |





### Schedule of Current Expenditures by Department
### Budget and Actual – Budget Basis
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| COMMUNITY HEALTH SERVICES FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Works | - | 1,032 | 1,032 | - |
| **General Administration and Finance** | | | | |
| Administrative Services | - | 26 | 26 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Homelessness And Supportive Housing | 609 | 486 | 486 | - |
| **Community Health** | | | | |
| Community Health Network | 118,737 | 112,171 | 112,171 | - |
| Total Community Health Services Fund | 119,346 | 113,715 | 113,715 | - |
| CONVENTION FACILITIES FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Utilities Commission | - | 34 | 34 | - |
| Public Works | - | 2 | 2 | - |
| | - | 36 | 36 | - |
| **Culture and Recreation** | | | | |
| Administrative Services | 68,115 | 59,328 | 47,338 | 11,990 |
| Total Convention Facilities Fund | 68,115 | 59,364 | 47,374 | 11,990 |
| COURTS FUND | | | | |
| **Public Protection** | | | | |
| Trial Courts | 2,780 | 437 | 356 | 81 |
| Total Courts Fund | 2,780 | 437 | 356 | 81 |
| CULTURE AND RECREATION FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Mayor's Office | 1,052 | 345 | 345 | - |
| Public Works | - | 259 | 259 | - |
| | 1,052 | 604 | 604 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | 3,135 | 867 | 867 | - |
| **Culture and Recreation** | | | | |
| Arts Commission | 17,314 | 13,388 | 13,374 | 14 |
| Asian Art Museum | 712 | 360 | 360 | - |
| Fine Arts Museums | 1,427 | 1,220 | 1,220 | - |
| Recreation and Park Commission | 4,917 | 3,866 | 3,393 | 473 |
| | 24,370 | 18,834 | 18,347 | 487 |
| **General Administration and Finance** | | | | |
| Administrative Services | 16,737 | 16,250 | 16,250 | - |
| Total Culture and Recreation Fund | 45,294 | 36,555 | 36,068 | 487 |
| ENVIRONMENTAL PROTECTION FUND | | | | |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | 6,781 | 7,684 | 6,039 | 1,645 |
| **General Administration and Finance** | | | | |
| City Planning | - | 91 | 91 | - |
| Total Environmental Protection Fund | 6,781 | 7,775 | 6,130 | 1,645 |

**Schedule of Current Expenditures by Department**
**Budget and Actual – Budget Basis**
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| GASOLINE TAX FUND | | | | |
| **General Administration and Finance** | | | | |
| Telecommunications and Information Services | - | 13 | 13 | - |
| **Public Works, Transportation and Commerce** | | | | |
| Municipal Transportation Agency | - | 408 | 408 | - |
| Public Utilities Commission | - | 1,072 | 1,072 | - |
| Public Works | 46,617 | 35,960 | 34,624 | 1,336 |
| | 46,617 | 37,440 | 36,104 | 1,336 |
| Total Gasoline Tax Fund | 46,617 | 37,453 | 36,117 | 1,336 |
| GENERAL SERVICES FUND | | | | |
| **Public Protection** | | | | |
| District Attorney | 340 | 162 | 162 | - |
| **Public Works, Transportation and Commerce** | | | | |
| Public Works | - | 15,000 | 15,000 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | - | 58 | 58 | - |
| Human Services | - | 12 | 12 | - |
| Mayor's Office | - | 35 | 35 | - |
| | - | 105 | 105 | - |
| **Culture and Recreation** | | | | |
| Fine Arts Museums | - | 672 | 672 | - |
| **General Administration and Finance** | | | | |
| Administrative Services | 785 | 588 | 588 | - |
| Assessor / Recorder | 1,733 | 1,592 | 1,592 | - |
| Board of Supervisors | 18 | 351 | 351 | - |
| Elections | - | 2,140 | 2,140 | - |
| Human Resources | 131 | 341 | 224 | 117 |
| Mayor's Office | 150 | - | - | - |
| Telecommunications and Information Services | 2,732 | 1,380 | 1,380 | - |
| Treasurer/Tax Collector | 1,109 | 428 | 428 | - |
| | 6,658 | 6,820 | 6,703 | 117 |
| Total General Services Fund | 6,998 | 22,759 | 22,642 | 117 |





**Schedule of Current Expenditures by Department**
**Budget and Actual – Budget Basis**
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| GIFT AND OTHER EXPENDABLE TRUSTS FUND | | | | |
| **Public Protection** | | | | |
| Fire Department | - | 17 | 17 | - |
| Police Department | - | 170 | 170 | - |
| | - | 187 | 187 | - |
| **Public Works, Transportation and Commerce** | | | | |
| Mayor's Office | - | 1,232 | 1,232 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Environment | 45 | 33 | 33 | - |
| Homelessness And Supportive Housing | - | 233 | 233 | - |
| Human Services | 96 | 1,442 | 1,442 | - |
| Mayor's Office | - | 2,205 | 2,205 | - |
| Commission on Status of Women | 46 | 20 | 20 | - |
| | 187 | 3,933 | 3,933 | - |
| **Community Health** | | | | |
| Community Health Network | - | 203 | 203 | - |
| **Culture and Recreation** | | | | |
| Arts Commission | - | 82 | 82 | - |
| Fine Arts Museums | - | 211 | 211 | - |
| Public Library | 5 | 3 | 3 | - |
| Recreation and Park Commission | 440 | 303 | 303 | - |
| | 445 | 599 | 599 | - |
| **General Administration and Finance** | | | | |
| Administrative Services | - | 1,473 | 1,473 | - |
| Board of Supervisors | - | 18 | 18 | - |
| | - | 1,491 | 1,491 | - |
| Total Gift and Other Expendable Trusts Fund | 632 | 7,645 | 7,645 | - |
| GOLF FUND | | | | |
| **Culture and Recreation** | | | | |
| Recreation and Park Commission | 18,640 | 18,544 | 16,999 | 1,545 |
| Total Golf Fund | 18,640 | 18,544 | 16,999 | 1,545 |

## CITY AND COUNTY OF SAN FRANCISCO

### Schedule of Current Expenditures by Department
### Budget and Actual – Budget Basis
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| HUMAN WELFARE FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Works | - | 5,861 | 5,861 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Commission on Status of Women | 353 | 372 | 325 | 47 |
| Homelessness And Supportive Housing | 89,752 | 52,385 | 51,603 | 782 |
| Human Rights Commission | - | 175 | 175 | - |
| Social Services | 56,828 | 54,462 | 54,462 | - |
| | 146,933 | 107,394 | 106,565 | 829 |
| Total Human Welfare Fund | 146,933 | 113,255 | 112,426 | 829 |
| LOW AND MODERATE INCOME HOUSING ASSET FUND | | | | |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | 5,000 | 18,822 | 18,822 | - |
| Total Low and Moderate Income Housing Asset Fund | 5,000 | 18,822 | 18,822 | - |
| OPEN SPACE AND PARK FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Utilities Commission | - | 22 | 22 | - |
| Public Works | - | 3,661 | 3,661 | - |
| | - | 3,683 | 3,683 | - |
| **Culture and Recreation** | | | | |
| Arts Commission | - | 35 | 35 | - |
| Recreation and Park Commission | 63,752 | 61,656 | 60,923 | 733 |
| | 63,752 | 61,691 | 60,958 | 733 |
| Total Open Space and Park Fund | 63,752 | 65,374 | 64,641 | 733 |
| PUBLIC LIBRARY FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Mayor's Office | - | 54 | - | 54 |
| Public Works | - | 6,873 | 6,873 | - |
| | - | 6,927 | 6,873 | 54 |
| **Culture and Recreation** | | | | |
| Arts Commission | - | 7 | 7 | - |
| Public Library | 171,401 | 146,582 | 140,983 | 5,599 |
| | 171,401 | 146,589 | 140,990 | 5,599 |
| **General Administration and Finance** | | | | |
| Telecommunications and Information Services | - | 13 | 13 | - |
| Total Public Library Fund | 171,401 | 153,529 | 147,876 | 5,653 |



## CITY AND COUNTY OF SAN FRANCISCO

### Schedule of Current Expenditures by Department
### Budget and Actual – Budget Basis
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| PUBLIC PROTECTION FUND | | | | |
| **Public Protection** | | | | |
| Adult Probation | 3,841 | 4,212 | 4,212 | - |
| District Attorney | 7,782 | 7,950 | 7,950 | - |
| Emergency Communications Department | 25,395 | 21,347 | 21,347 | - |
| Fire Department | - | 2,938 | 2,938 | - |
| Juvenile Probation | 6,594 | 6,502 | 6,502 | - |
| Police Commission | 6,418 | 23,995 | 23,995 | - |
| Public Defender | 192 | 328 | 328 | - |
| Sheriff | 5,338 | 3,854 | 3,854 | - |
| | 55,560 | 71,126 | 71,126 | - |
| **Community Health** | | | | |
| Public Health | - | 1,385 | 1,385 | - |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | 6,013 | 3,742 | 3,742 | - |
| Commission on Status of Women | 9,339 | 658 | 658 | - |
| | 15,352 | 4,400 | 4,400 | - |
| **General Administration and Finance** | | | | |
| Administrative Services | 55 | 42 | 42 | - |
| City Attorney | 4,505 | 3,278 | 3,278 | - |
| Mayor's Office | - | 1 | 1 | - |
| | 4,560 | 3,321 | 3,321 | - |
| Total Public Protection Fund | 75,472 | 80,232 | 80,232 | - |
| PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Works | 34,606 | 66,148 | 66,141 | 7 |
| Municipal Transportation Agency | - | 174 | 174 | - |
| Public Utilities Commission | - | 158 | 158 | - |
| | 34,606 | 66,480 | 66,473 | 7 |
| **Human Welfare and Neighborhood Development** | | | | |
| Mayor's Office | 16,534 | 16,653 | 15,981 | 672 |
| **General Administration and Finance** | | | | |
| City Planning | 200 | 15 | 15 | - |
| Total Public Works, Transportation and Commerce Fund | 51,340 | 83,148 | 82,469 | 679 |

## CITY AND COUNTY OF SAN FRANCISCO

### Schedule of Current Expenditures by Department
### Budget and Actual – Budget Basis
### Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| REAL PROPERTY FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Public Utilities Commission | - | 2 | - | 2 |
| Public Works | - | 1,450 | 1,450 | - |
| | - | 1,452 | 1,450 | 2 |
| **General Administration and Finance** | | | | |
| Administrative Services | 17,241 | 56,196 | 56,196 | - |
| Total Real Property Fund | 17,241 | 57,648 | 57,646 | 2 |
| SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND | | | | |
| **Public Works, Transportation and Commerce** | | | | |
| Board of Supervisors | 253,444 | 177,044 | 101,801 | 75,243 |
| Total SF County Transportation Authority Fund | 253,444 | 177,044 | 101,801 | 75,243 |
| SENIOR CITIZENS PROGRAM FUND | | | | |
| **Human Welfare and Neighborhood Development** | | | | |
| Human Services | 6,566 | 7,202 | 7,202 | - |
| Total Senior Citizens Program Fund | 6,566 | 7,202 | 7,202 | - |
| WAR MEMORIAL FUND | | | | |
| **Culture and Recreation** | | | | |
| War Memorial | 17,984 | 18,222 | 17,698 | 524 |
| **Public Works, Transportation and Commerce** | | | | |
| Public Works | - | 275 | 275 | - |
| Total War Memorial Fund | 17,984 | 18,497 | 17,973 | 524 |
| Total Special Revenue Funds With Legally Adopted Budgets | $ 1,731,319 | $ 1,882,469 | $ 1,770,623 | $ 111,846 |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Balance Sheet
### Nonmajor Governmental Funds – Debt Service Funds
June 30, 2020
(In Thousands)

| | General Obligation Bond Fund | Certificates of Participation Funds | Other Bond Funds | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Deposits and investments with City Treasury | $ 125,640 | $ - | $ 3 | $ 125,643 |
| Deposits and investments outside City Treasury | - | 77,661 | 38 | 77,699 |
| Receivables: | | | | |
| Property taxes and penalties | 6,251 | - | - | 6,251 |
| Interest and other | 737 | 2 | - | 739 |
| Total assets | $ 132,628 | $ 77,663 | $ 41 | $ 210,332 |
| Liabilities: | | | | |
| Accounts payable | $ 270 | $ - | $ - | $ 270 |
| Unearned revenues and other liabilities | 7,932 | - | - | 7,932 |
| Total liabilities | 8,202 | - | - | 8,202 |
| Deferred inflows of resources | 5,920 | - | - | 5,920 |
| Fund balances: | | | | |
| Restricted | 118,506 | 77,663 | 41 | 196,210 |
| Total fund balances | 118,506 | 77,663 | 41 | 196,210 |
| Total liabilities, deferred inflows of resources and fund balances | $ 132,628 | $ 77,663 | $ 41 | $ 210,332 |

## CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Nonmajor Governmental Funds – Debt Service Funds**
Year Ended June 30, 2020
(In Thousands)

| | General Obligation Bond Fund | Certificates of Participation Funds | Other Bond Funds | Total |
|---|---|---|---|---|
| Revenues: | | | | |
| Property taxes | $ 334,930 | $ - | $ - | $ 334,930 |
| Fines, forfeitures, and penalties | 17,098 | - | - | 17,098 |
| Interest and investment income | 4,382 | 738 | 2 | 5,122 |
| Intergovernmental | | | | |
| State | 720 | - | - | 720 |
| Other | 3,959 | - | 1,891 | 5,850 |
| Total revenues | 361,089 | 738 | 1,893 | 363,720 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal retirement | 248,666 | 31,010 | 3,799 | 283,475 |
| Interest and other fiscal charges | 94,144 | 41,638 | 2,328 | 138,110 |
| Bond issuance costs | 1,124 | 251 | - | 1,375 |
| Payment to refunded bond escrow agent | 6,113 | 2,792 | - | 8,905 |
| Total expenditures | 350,047 | 75,691 | 6,127 | 431,865 |
| Excess (deficiency) of revenues over (under) expenditures | 11,042 | (74,953) | (4,234) | (68,145) |
| Other financing sources (uses): | | | | |
| Transfers in | 2,191 | 94,886 | 4,239 | 101,316 |
| Transfers out | - | (48) | - | (48) |
| Issuance of bonds: | | | | |
| Face value of bonds issued | 195,250 | 24,315 | - | 219,565 |
| Premium on issuance of bonds | 37,242 | 2,251 | - | 39,493 |
| Payment to refunded bond escrow agent | (231,368) | (26,307) | - | (257,675) |
| Total other financing sources (uses) | 3,315 | 95,097 | 4,239 | 102,651 |
| Net changes in fund balances | 14,357 | 20,144 | 5 | 34,506 |
| Fund balances at beginning of year | 104,149 | 57,519 | 36 | 161,704 |
| Fund balances at end of year | $ 118,506 | $ 77,663 | $ 41 | $ 196,210 |



## CITY AND COUNTY OF SAN FRANCISCO

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis**
**Nonmajor Governmental Funds – Debt Service Fund**
Year Ended June 30, 2020
(In Thousands)

| | General Obligation Bond Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | | |
| Property taxes | $ 520,622 | $ 375,430 | $ 334,929 | $ (40,501) |
| Fines, forfeitures, and penalties | 17,877 | 17,877 | 17,098 | (779) |
| Interest and investment income | - | 446 | 3,808 | 3,362 |
| Intergovernmental | | | | |
| State | 800 | 800 | 720 | (80) |
| Other | - | 3,959 | 3,959 | - |
| Total revenues | 539,299 | 398,512 | 360,514 | (37,998) |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal retirement | 534,569 | 248,666 | 248,666 | - |
| Interest and other fiscal charges | 5,962 | 103,584 | 94,144 | 9,440 |
| Bond issuance costs | - | 779 | 779 | - |
| Payment to refunded bond escrow agent | - | 6,113 | 6,113 | - |
| Total expenditures | 540,531 | 359,142 | 349,702 | 9,440 |
| Excess (deficiency) of revenues over (under) expenditures | (1,232) | 39,370 | 10,812 | (28,558) |
| Other financing sources (uses): | | | | |
| Transfers in | 1,232 | 2,191 | 2,191 | - |
| Issuance of bonds: | | | | |
| Face value of bonds issued | - | 195,250 | 195,250 | - |
| Premium on issuance of bonds | - | 36,896 | 36,896 | - |
| Payment to refunded bond escrow agent | - | (231,368) | (231,368) | - |
| Total other financing sources (uses) | 1,232 | 2,969 | 2,969 | - |
| Net changes in fund balance | - | 42,339 | 13,781 | (28,558) |
| Budgetary fund balance, July 1 | - | 111,882 | 111,882 | - |
| Budgetary fund balance, June 30 | $ - | $ 154,221 | $ 125,663 | $ (28,558) |

## CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet**
**Nonmajor Governmental Funds – Capital Projects Funds**
June 30, 2020
(In Thousands)

| | City Facilities Improvement Fund | Fire Protection Systems Improvement Fund | Moscone Convention Center Fund |
|---|---|---|---|
| Assets: | | | |
| Deposits and investments with City Treasury | $ 269,571 | $ 356 | $ - |
| Deposits and investments outside City Treasury | 151,071 | - | 13,833 |
| Receivables: | | | |
| Federal and state grants and subventions | - | - | - |
| Charges for services | - | - | - |
| Interest and other | 617 | 1 | - |
| Due from other funds | 3,000 | - | - |
| Total assets | $ 424,259 | $ 357 | $ 13,833 |
| Liabilities: | | | |
| Accounts payable | $ 64,922 | $ 60 | $ 359 |
| Accrued payroll | 528 | 1 | 4 |
| Unearned grant and subvention revenue | - | - | - |
| Due to other funds | - | - | 10,002 |
| Unearned revenues and other liabilities | 5 | 10 | - |
| Bonds, loans, capital leases, and other payables | 89,478 | - | - |
| Total liabilities | 154,933 | 71 | 10,365 |
| Deferred inflows of resources | - | - | - |
| Fund balances: | | | |
| Restricted | 269,326 | 286 | 3,468 |
| Total fund balances | 269,326 | 286 | 3,468 |
| Total liabilities, deferred inflows of resources and fund balances | $ 424,259 | $ 357 | $ 13,833 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet**
**Nonmajor Governmental Funds – Capital Projects Funds (Continued)**
June 30, 2020
(In Thousands)

| | Recreation and Park Projects | Street Improvement Fund | Total |
|---|---|---|---|
| Assets: | | | |
| Deposits and investments with City Treasury | $ 56,867 | $ 11,644 | $ 338,438 |
| Deposits and investments outside City Treasury | - | 2,761 | 167,665 |
| Receivables: | | | |
| Federal and state grants and subventions | 1,192 | 11,280 | 12,472 |
| Charges for services | - | 49 | 49 |
| Interest and other | 206 | 16 | 840 |
| Due from other funds | - | 10,519 | 13,519 |
| Total assets | $ 58,265 | $ 36,269 | $ 532,983 |
| Liabilities: | | | |
| Accounts payable | $ 8,258 | $ 6,826 | $ 80,425 |
| Accrued payroll | 126 | 129 | 788 |
| Unearned grant and subvention revenue | 5,108 | - | 5,108 |
| Due to other funds | - | 42 | 10,044 |
| Unearned revenues and other liabilities | - | 14,385 | 14,400 |
| Bonds, loans, capital leases, and other payables | - | - | 89,478 |
| Total liabilities | 13,492 | 21,382 | 200,243 |
| Deferred inflows of resources | 671 | 2,501 | 3,172 |
| Fund balances: | | | |
| Restricted | 44,102 | 12,386 | 329,568 |
| Total fund balances | 44,102 | 12,386 | 329,568 |
| Total liabilities, deferred inflows of resources and fund balances | $ 58,265 | $ 36,269 | $ 532,983 |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Capital Projects Funds
Year Ended June 30, 2020
(In Thousands)

| | City Facilities Improvement Fund | Fire Protection Systems Improvement Fund | Moscone Convention Center Fund |
|---|---|---|---|
| Revenues: | | | |
| Interest and investment income | $ 7,931 | $ 8 | $ 194 |
| Rents and concessions | - | - | - |
| Intergovernmental: | | | |
| Federal | - | - | - |
| State | - | - | - |
| Other | - | - | - |
| Other | - | - | - |
| Total revenues | 7,931 | 8 | 194 |
| Expenditures: | | | |
| Debt service: | | | |
| Interest and other fiscal charges | 2,209 | - | - |
| Bond issuance costs | 2,387 | - | - |
| Capital outlay | 356,342 | 145 | 1,618 |
| Total expenditures | 360,938 | 145 | 1,618 |
| Deficiency of revenues under expenditures | (353,007) | (137) | (1,424) |
| Other financing sources (uses): | | | |
| Transfers in | 4,011 | - | 620 |
| Transfers out | (81,574) | - | - |
| Issuance of bonds: | | | |
| Face value of bonds issued | 297,485 | - | - |
| Premium on issuance of bonds | 33,978 | - | - |
| Total other financing sources (uses) | 253,900 | - | 620 |
| Net changes in fund balances | (99,107) | (137) | (804) |
| Fund balances at beginning of year | 368,433 | 423 | 4,272 |
| Fund balances at end of year | $ 269,326 | $ 286 | $ 3,468 |

*(Continued)*



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
### Nonmajor Governmental Funds – Capital Projects Funds (Continued)
Year Ended June 30, 2020
(In Thousands)

| | Recreation and Park Projects | Street Improvement Fund | Total |
|---|---|---|---|
| Revenues: | | | |
| Interest and investment income | $ 1,611 | $ 234 | $ 9,978 |
| Rents and concessions | - | 166 | 166 |
| Intergovernmental: | | | |
| Federal | 55 | 23,501 | 23,556 |
| State | 3,016 | 1,041 | 4,057 |
| Other | - | 364 | 364 |
| Other | 4,919 | - | 4,919 |
| Total revenues | 9,601 | 25,306 | 43,040 |
| Expenditures: | | | |
| Debt service: | | | |
| Interest and other fiscal charges | 3 | 4 | 2,216 |
| Bond issuance costs | 17 | - | 2,404 |
| Capital outlay | 49,072 | 46,960 | 454,137 |
| Total expenditures | 49,092 | 46,964 | 458,757 |
| Deficiency of revenues under expenditures | (39,491) | (21,658) | (415,717) |
| Other financing sources (uses): | | | |
| Transfers in | - | 16,829 | 21,460 |
| Transfers out | (3,162) | (73) | (84,809) |
| Issuance of bonds: | | | |
| Face value of bonds issued | 3,100 | 2,750 | 303,335 |
| Premium on issuance of bonds | 81 | - | 34,059 |
| Total other financing sources (uses) | 19 | 19,506 | 274,045 |
| Net changes in fund balances | (39,472) | (2,152) | (141,672) |
| Fund balances at beginning of year | 83,574 | 14,538 | 471,240 |
| Fund balances at end of year | $ 44,102 | $ 12,386 | $ 329,568 |

## CITY AND COUNTY OF SAN FRANCISCO

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

*Central Shops Fund* – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

*Finance Corporation* – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

*Reproduction Fund* – Accounts for printing, design and mail services required by various City departments and agencies.

*Telecommunications and Information Fund* – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Net Position
### Internal Service Funds
June 30, 2020
(In Thousands)

| | Central Shops Fund | Finance Corporation | Reproduction Fund | Telecom-munications & Information Fund | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Current assets: | | | | | |
| Deposits and investments with City Treasury | $ 3,325 | $ - | $ 2,377 | $ 28,105 | $ 33,807 |
| Receivables: | | | | | |
| Charges for services | 62 | - | 13 | 163 | 238 |
| Interest and other | 21 | - | - | 330 | 351 |
| Capital leases receivable | - | 12,372 | - | - | 12,372 |
| Restricted assets: | | | | | |
| Deposits and investments outside City Treasury | - | 6,324 | - | - | 6,324 |
| Total current assets | 3,408 | 18,696 | 2,390 | 28,598 | 53,092 |
| Noncurrent assets: | | | | | |
| Capital leases receivable | - | 111,420 | - | - | 111,420 |
| Capital assets: | | | | | |
| Land and other assets not being depreciated | 74 | - | - | 239 | 313 |
| Facilities and equipment, net of depreciation | 310 | - | 262 | 13,351 | 13,923 |
| Total capital assets | 384 | - | 262 | 13,590 | 14,236 |
| Total noncurrent assets | 384 | 111,420 | 262 | 13,590 | 125,656 |
| Total assets | 3,792 | 130,116 | 2,652 | 42,188 | 178,748 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | - | 880 | - | - | 880 |
| Deferred outflows related to pensions | 4,268 | - | - | 14,244 | 18,512 |
| Deferred outflows related to OPEB | 2,392 | - | - | 3,830 | 6,222 |
| Total deferred outflows of resources | 6,660 | 880 | - | 18,074 | 25,614 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 845 | 23 | 93 | 9,286 | 10,247 |
| Accrued payroll | 648 | - | 110 | 1,902 | 2,660 |
| Accrued vacation and sick leave pay | 435 | - | - | 1,600 | 2,035 |
| Accrued workers' compensation | - | - | - | 284 | 284 |
| Bonds, loans, capital leases, and other payables | - | 12,145 | - | 316 | 12,461 |
| Accrued interest payable | - | 881 | - | 2 | 883 |
| Due to other funds | - | - | - | 20 | 20 |
| Unearned revenues and other liabilities | - | 2,637 | - | 34 | 2,671 |
| Total current liabilities | 1,928 | 15,686 | 203 | 13,444 | 31,261 |
| Noncurrent liabilities: | | | | | |
| Accrued vacation and sick leave pay | 403 | - | - | 1,734 | 2,137 |
| Accrued workers' compensation | - | - | - | 1,299 | 1,299 |
| Bonds, loans, capital leases, and other payables | - | 114,993 | - | 319 | 115,312 |
| Net pension liability | 12,625 | - | - | 35,538 | 48,163 |
| Net other postemployment benefits (OPEB) liability | 17,399 | - | - | 30,901 | 48,300 |
| Total noncurrent liabilities | 30,427 | 114,993 | - | 69,791 | 215,211 |
| Total liabilities | 32,355 | 130,679 | 203 | 83,235 | 246,472 |
| Deferred inflows of resources: | | | | | |
| Unamortized gain on refunding of debt | - | 317 | - | - | 317 |
| Deferred inflows related to pensions | 2,519 | - | - | 8,606 | 11,125 |
| Deferred inflows related to OPEB | 1,251 | - | - | 3,514 | 4,765 |
| Total deferred inflows of resources | 3,770 | 317 | - | 12,120 | 16,207 |
| Net position: | | | | | |
| Net investment in capital assets | 384 | - | 262 | 12,955 | 13,601 |
| Unrestricted (deficit) | (26,057) | - | 2,187 | (48,048) | (71,918) |
| Total net position | $ (25,673) | $ - | $ 2,449 | $ (35,093) | $ (58,317) |

## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
### Internal Service Funds
Year Ended June 30, 2020
(In Thousands)

| | Central Shops Fund | Finance Corporation | Reproduction Fund | Telecom-munications & Information Fund | Total |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Charges for services | $ 33,484 | $ - | $ 8,201 | $ 120,807 | $ 162,492 |
| Rents and concessions | - | - | - | 445 | 445 |
| Total operating revenues | 33,484 | - | 8,201 | 121,252 | 162,937 |
| Operating expenses: | | | | | |
| Personal services | 16,356 | - | 2,597 | 43,148 | 62,101 |
| Contractual services | 5,090 | - | 4,886 | 56,352 | 66,328 |
| Materials and supplies | 9,827 | - | 414 | 4,549 | 14,790 |
| Depreciation and amortization | 120 | - | 93 | 3,382 | 3,595 |
| General and administrative | 626 | - | 154 | 612 | 1,392 |
| Services provided by other departments | 1,131 | - | 601 | 10,579 | 12,311 |
| Other | - | - | - | 675 | 675 |
| Total operating expenses | 33,150 | - | 8,745 | 119,297 | 161,192 |
| Operating income (loss) | 334 | - | (544) | 1,955 | 1,745 |
| Nonoperating revenues (expenses): | | | | | |
| Operating grants | 47 | - | 101 | 181 | 329 |
| Interest and investment income | 22 | 2,451 | 33 | 461 | 2,967 |
| Interest expense | - | (3,081) | - | (8) | (3,089) |
| Other, net | - | 630 | 2 | 160 | 792 |
| Total nonoperating revenues (expenses) | 69 | - | 136 | 794 | 999 |
| Income (loss) before transfers | 403 | - | (408) | 2,749 | 2,744 |
| Transfers out | (22) | - | (33) | (461) | (516) |
| Change in net position | 381 | - | (441) | 2,288 | 2,228 |
| Net position (deficit) at beginning of year | (26,054) | - | 2,890 | (37,381) | (60,545) |
| Net position (deficit) at end of year | $ (25,673) | $ - | $ 2,449 | $ (35,093) | $ (58,317) |



## CITY AND COUNTY OF SAN FRANCISCO

### Combining Statement of Cash Flows
### Internal Service Funds
Year Ended June 30, 2020
(In Thousands)

| | Central Shops Fund | Finance Corporation | Reproduction Fund | Telecom-munications & Information Fund | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | $ 33,443 | $ 9,394 | $ 8,190 | $ 121,323 | $ 172,350 |
| Cash paid for employees' services | (15,723) | - | (2,579) | (43,168) | (61,470) |
| Cash paid to suppliers for goods and services | (16,553) | (605) | (6,079) | (64,778) | (88,015) |
| Net cash provided by (used in) operating activities | 1,167 | 8,789 | (468) | 13,377 | 22,865 |
| Cash flows from noncapital financing activities: | | | | | |
| Operating grants | 47 | - | 101 | 181 | 329 |
| Transfers out | (22) | - | (33) | (461) | (516) |
| Net cash provided by (used in) noncapital financing activities | 25 | - | 68 | (280) | (187) |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of capital assets | (173) | - | (10) | (5,558) | (5,741) |
| Retirement of capital lease obligation | - | (5,770) | - | (313) | (6,083) |
| Bond issue costs paid | - | (61) | - | - | (61) |
| Interest paid on long-term debt | - | (3,237) | - | (9) | (3,246) |
| Net cash used in capital and related financing activities | (173) | (9,068) | (10) | (5,880) | (15,131) |
| Cash flows from investing activities: | | | | | |
| Interest and investment income | 22 | 38 | 33 | 461 | 554 |
| Net cash provided by investing activities | 22 | 38 | 33 | 461 | 554 |
| Change in cash and cash equivalents | 1,041 | (241) | (377) | 7,678 | 8,101 |
| Cash and cash equivalents at beginning of year | 2,284 | 6,565 | 2,754 | 20,427 | 32,030 |
| Cash and cash equivalents at end of year | $ 3,325 | $ 6,324 | $ 2,377 | $ 28,105 | $ 40,131 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | $ 334 | $ - | $ (544) | $ 1,955 | $ 1,745 |
| Adjustments for non-cash and other activities: | | | | | |
| Depreciation and amortization | 120 | - | 93 | 3,382 | 3,595 |
| Other | - | - | 2 | 160 | 162 |
| Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources: | | | | | |
| Receivables, net | (41) | 5,770 | (13) | (88) | 5,628 |
| Accounts payable | 122 | - | (24) | 7,967 | 8,065 |
| Accrued payroll | 108 | - | 18 | 284 | 410 |
| Accrued vacation and sick leave pay | 41 | - | - | 546 | 587 |
| Accrued workers' compensation | - | - | - | (114) | (114) |
| Due to other funds | - | - | - | 20 | 20 |
| Unearned revenue and other liabilities | - | 3,019 | - | - | 3,019 |
| Net pension liability and pension related deferred outflows and inflows of resources | 334 | - | - | (2,712) | (2,378) |
| Net OPEB liability and OPEB related deferred outflows and inflows of resources | 149 | - | - | 1,977 | 2,126 |
| Total adjustments | 833 | 8,789 | 76 | 11,422 | 21,120 |
| Net cash provided by (used in) operating activities | $ 1,167 | $ 8,789 | $ (468) | $ 13,377 | $ 22,865 |
| Reconciliation of cash and cash equivalents to the combining statement of net position: | | | | | |
| Deposits and investments with City Treasury: | | | | | |
| Unrestricted | $ 3,325 | $ - | $ 2,377 | $ 28,105 | $ 33,807 |
| Deposits and investments outside City Treasury: | | | | | |
| Restricted | - | 6,324 | - | - | 6,324 |
| Total deposits and investments | 3,325 | 6,324 | 2,377 | 28,105 | 40,131 |
| Cash and cash equivalents at end of year on statement of cash flows | $ 3,325 | $ 6,324 | $ 2,377 | $ 28,105 | $ 40,131 |

## FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

### Trust Funds

*Employees' Retirement System* – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

*Health Service System* – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

*Retiree Health Care Trust* - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

### Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

*Assistance Program Fund* – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

*Deposits Fund* – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

*Payroll Fund* – Accounts for Citywide payroll, including monies held for payroll charges including federal, state and other payroll related deductions.

*State Revenue Collection Fund* – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

*Tax Collection Fund* – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

*Transit Fund* – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

*Other Agency Funds* – Accounts for monies held as agent for a variety of purposes.



CITY AND COUNTY OF SAN FRANCISCO

## Combining Statement of Fiduciary Net Position
## Fiduciary Funds
## Pension and Other Employee Benefit Trust Funds

June 30, 2020
(In Thousands)

| | Pension Trust Fund | Other Employee Benefit Trust Fund | Other Post-employment Benefit Trust Fund | |
|---|---|---|---|---|
| | **Employees Retirement System** | **Health Service System** | **Retiree Health Care** | **Total** |
| **Assets** | | | | |
| Deposits and investments with City Treasury | $ 32,391 | $ 126,772 | $ 2,882 | $ 162,045 |
| Deposits and investments outside City Treasury: | | | | |
| Cash and deposits | 44,386 | - | - | 44,386 |
| Short-term investments | 526,053 | - | 6,564 | 532,617 |
| Debt securities | 2,052,625 | - | 180,670 | 2,233,295 |
| Equity securities | 8,606,338 | - | 328,689 | 8,935,027 |
| Real assets | 3,840,427 | - | - | 3,840,427 |
| Private equity and other alternative investments | 11,099,962 | - | - | 11,099,962 |
| Foreign currency contracts, net | (116) | - | - | (116) |
| Invested in securities lending collateral | 547,047 | - | - | 547,047 |
| Receivables: | | | | |
| Employer and employee contributions | 17,959 | 25,273 | 4,715 | 47,947 |
| Brokers, general partners and others | 463,531 | - | - | 463,531 |
| Interest and other | 13,903 | 382 | 464 | 14,749 |
| Other assets | - | 2,602 | - | 2,602 |
| Total assets | 27,244,506 | 155,029 | 523,984 | 27,923,519 |
| Deferred outflows related to OPEB | 1,587 | - | - | 1,587 |
| **Liabilities** | | | | |
| Accounts payable | 29,034 | 8,711 | 47 | 37,792 |
| Estimated claims payable | - | 27,025 | - | 27,025 |
| Payable to brokers | 35,774 | - | 5,717 | 41,491 |
| Payable to borrowers of securities | 547,029 | - | - | 547,029 |
| Other liabilities | - | 3,179 | - | 3,179 |
| Net other postemployment benefits (OPEB) liability | 12,799 | - | - | 12,799 |
| Total liabilities | 624,636 | 38,915 | 5,764 | 669,315 |
| Deferred inflows related to OPEB | 1,239 | - | - | 1,239 |
| **Net Position** | | | | |
| Restricted for pension and other employee benefits | $ 26,620,218 | $ 116,114 | $ 518,220 | $ 27,254,552 |

## CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**Pension and Other Employee Benefit Trust Funds**
Year Ended June 30, 2020
(In Thousands)

| | Pension Trust Fund – Employees Retirement System | Other Employee Benefit Trust Fund – Health Service System | Other Post-employment Benefit Trust Fund – Retiree Health Care | Total |
|---|---|---|---|---|
| Additions: | | | | |
| Employee contributions | $ 400,649 | $ 163,404 | $ 61,588 | $ 625,641 |
| Employer contributions | 742,985 | 822,533 | 248,780 | 1,814,298 |
| Total contributions | 1,143,634 | 985,937 | 310,368 | 2,439,939 |
| Investment income (expenses): | | | | |
| Interest | 80,729 | 2,266 | 6,365 | 89,360 |
| Dividends | 108,344 | - | - | 108,344 |
| Net appreciation in fair value of investments | 822,342 | 605 | 18,007 | 840,954 |
| Securities lending income | 1,313 | - | - | 1,313 |
| Total investment income | 1,012,728 | 2,871 | 24,372 | 1,039,971 |
| Less investment expenses: | | | | |
| Other Investment expenses | (46,446) | - | (306) | (46,752) |
| Net investment income | 966,282 | 2,871 | 24,066 | 993,219 |
| Total additions, net | 2,109,916 | 988,808 | 334,434 | 3,433,158 |
| Deductions: | | | | |
| Benefit payments | 1,531,041 | 964,853 | 206,738 | 2,702,632 |
| Refunds of contributions | 17,036 | - | - | 17,036 |
| Administrative expenses | 20,270 | - | 114 | 20,384 |
| Total deductions | 1,568,347 | 964,853 | 206,852 | 2,740,052 |
| Change in net position | 541,569 | 23,955 | 127,582 | 693,106 |
| Net position at beginning of year | 26,078,649 | 92,159 | 390,638 | 26,561,446 |
| Net position at end of year | $ 26,620,218 | $ 116,114 | $ 518,220 | $ 27,254,552 |



## CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds**
Year Ended June 30, 2020
(In Thousands)

| | Balance July 1, 2019 | Additions | Deductions | Balance June 30, 2020 |
|---|---|---|---|---|
| **Assistance Program Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 18,291 | $ 1,989 | $ 1,571 | $ 18,709 |
| Receivables: | | | | |
| Interest and other | 125 | 1,044 | 1,117 | 52 |
| Total assets | $ 18,416 | $ 3,033 | $ 2,688 | $ 18,761 |
| Liabilities | | | | |
| Accounts payable | $ - | $ 150 | $ 150 | $ - |
| Agency obligations | 18,416 | 1,500 | 1,155 | 18,761 |
| Total liabilities | $ 18,416 | $ 1,650 | $ 1,305 | $ 18,761 |
| **Deposits Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 14,252 | $ 35,839 | $ 38,759 | $ 11,332 |
| Deposits and investments outside City Treasury | - | 24 | - | 24 |
| Receivables: | | | | |
| Interest and other | 30 | 349 | 368 | 11 |
| Other assets | 45,538 | - | 1 | 45,537 |
| Total assets | $ 59,820 | $ 36,212 | $ 39,128 | $ 56,904 |
| Liabilities | | | | |
| Accounts payable | $ - | $ 9,817 | $ 9,781 | $ 36 |
| Agency obligations | 59,820 | 35,734 | 38,686 | 56,868 |
| Total liabilities | $ 59,820 | $ 45,551 | $ 48,467 | $ 56,904 |
| **Payroll Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ - | $ 4,260,245 | $ 4,260,245 | $ - |
| Receivables: | | | | |
| Employer and employee contributions | 148,160 | 177,347 | 150,623 | 174,884 |
| Total assets | $ 148,160 | $ 4,437,592 | $ 4,410,868 | $ 174,884 |
| Liabilities | | | | |
| Accounts payable | $ 48,511 | $ 1,645,729 | $ 1,638,599 | $ 55,641 |
| Agency obligations | 99,649 | 4,123,704 | 4,104,110 | 119,243 |
| Total liabilities | $ 148,160 | $ 5,769,433 | $ 5,742,709 | $ 174,884 |

## CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds (Continued)**
Year Ended June 30, 2020
(In Thousands)

| | Balance July 1, 2019 | Additions | Deductions | Balance June 30, 2020 |
|---|---|---|---|---|
| **State Revenue Collection Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 1,770 | $ 74,910 | $ 76,181 | $ 499 |
| Receivables: | | | | |
| Interest and other | 1 | 7 | 8 | - |
| Total assets | $ 1,771 | $ 74,917 | $ 76,189 | $ 499 |
| Liabilities | | | | |
| Accounts payable | $ 96 | $ 13,834 | $ 13,930 | $ - |
| Agency obligations | 1,675 | 74,734 | 75,910 | 499 |
| Total liabilities | $ 1,771 | $ 88,568 | $ 89,840 | $ 499 |
| **Tax Collection Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 141,028 | $ 5,684,965 | $ 5,616,288 | $ 209,705 |
| Deposits and investments outside City Treasury | 34 | - | 34 | - |
| Receivables: | | | | |
| Interest and other | 134,954 | 3,890,692 | 3,873,520 | 152,126 |
| Total assets | $ 276,016 | $ 9,575,657 | $ 9,489,842 | $ 361,831 |
| Liabilities | | | | |
| Accounts payable | $ - | $ 66,012 | $ 66,012 | $ - |
| Agency obligations | 276,016 | 4,520,236 | 4,434,421 | 361,831 |
| Total liabilities | $ 276,016 | $ 4,586,248 | $ 4,500,433 | $ 361,831 |
| **Transit Fund** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 5,703 | $ 104,533 | $ 104,326 | $ 5,910 |
| Receivables: | | | | |
| Interest and other | 54 | 272 | 310 | 16 |
| Total assets | $ 5,757 | $ 104,805 | $ 104,636 | $ 5,926 |
| Liabilities | | | | |
| Accounts payable | $ 12 | $ 52,878 | $ 52,890 | $ - |
| Agency obligations | 5,745 | 49,305 | 49,124 | 5,926 |
| Total liabilities | $ 5,757 | $ 102,183 | $ 102,014 | $ 5,926 |



## CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds (Continued)**
Year Ended June 30, 2020
(In Thousands)

| | Balance July 1, 2019 | Additions | Deductions | Balance June 30, 2020 |
|---|---|---|---|---|
| **Other Agency Funds** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 87,920 | $ 266,417 | $ 250,053 | $ 104,284 |
| Receivables: | | | | |
| Interest and other | 729 | 702 | 938 | 493 |
| Total assets | $ 88,649 | $ 267,119 | $ 250,991 | $ 104,777 |
| Liabilities | | | | |
| Accounts payable | $ 952 | $ 129,413 | $ 127,095 | $ 3,270 |
| Agency obligations | 87,697 | 245,003 | 231,193 | 101,507 |
| Total liabilities | $ 88,649 | $ 374,416 | $ 358,288 | $ 104,777 |
| **Total Agency Funds** | | | | |
| Assets | | | | |
| Deposits and investments with City Treasury | $ 268,964 | $ 10,428,898 | $ 10,347,423 | $ 350,439 |
| Deposits and investments outside City Treasury | 34 | 24 | 34 | 24 |
| Receivables: | | | | |
| Employer and employee contributions | 148,160 | 177,347 | 150,623 | 174,884 |
| Interest and other | 135,893 | 3,893,066 | 3,876,261 | 152,698 |
| Other assets | 45,538 | - | 1 | 45,537 |
| Total assets | $ 598,589 | $ 14,499,335 | $ 14,374,342 | $ 723,582 |
| Liabilities | | | | |
| Accounts payable | $ 49,571 | $ 1,917,833 | $ 1,908,457 | $ 58,947 |
| Agency obligations | 549,018 | 9,050,216 | 8,934,599 | 664,635 |
| Total liabilities | $ 598,589 | $ 10,968,049 | $ 10,843,056 | $ 723,582 |

STATISTICAL SECTION



## Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## CITY AND COUNTY OF SAN FRANCISCO

### NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 (1) | 2014 | 2015 (2) | 2016 | 2017 | 2018 (4) | 2019 | 2020 |
| **Governmental activities** | | | | | | | | | | |
| Net investment in capital assets | $ 1,910,341 | $ 2,199,316 | $ 2,275,963 | $ 2,483,086 | $ 2,684,808 | $ 2,750,782 | $ 2,873,927 | $ 3,311,218 | $ 3,681,341 | $ 3,853,271 |
| Restricted for: | | | | | | | | | | |
| Reserve for rainy day | 33,439 | 34,109 | 26,339 | 83,194 | 114,969 | 120,106 | 125,689 | 143,977 | 324,977 | 229,069 |
| Debt service | 36,805 | 48,202 | 98,754 | 91,900 | 87,772 | 83,029 | 108,179 | 136,132 | 104,720 | 113,765 |
| Capital projects | 82,315 | 91,997 | 154,502 | 110,608 | 28,263 | 198,962 | 257,634 | 196,598 | 186,015 | 297,975 |
| Community development | 59,763 | 240,771 | 109,423 | 200,640 | 297,094 | 433,398 | 434,691 | 427,684 | 624,127 | 628,484 |
| Transportation Authority activities | 1,386 | 6,705 | 10,924 | 12,496 | 13,486 | 15,657 | 16,189 | 17,499 | 21,554 | 28,673 |
| Building inspection programs | 32,112 | 49,364 | 71,131 | 97,928 | 109,512 | 134,663 | 150,109 | 155,448 | 166,510 | 162,182 |
| Children and families | 45,827 | 53,632 | 56,170 | 59,572 | 100,892 | 105,177 | 115,284 | 134,548 | 181,248 | 187,538 |
| Culture, recreation, grants and other purposes | 155,152 | 150,383 | 158,973 | 206,368 | 209,399 | 240,524 | 265,444 | 319,595 | 415,236 | 470,912 |
| Unrestricted (deficit) | (1,046,861) | (954,469) | (1,142,020) | (1,004,161) | (2,358,981) | (2,073,235) | (2,560,735) | (2,950,722) | (2,804,237) | (2,838,247) |
| Total governmental activities net position | $ 1,310,279 | $ 1,920,010 | $ 1,820,159 | $ 2,341,631 | $ 1,287,214 | $ 2,009,063 | $ 1,786,411 | $ 1,891,977 | $ 2,901,491 | $ 3,133,622 |
| **Business-type activities** | | | | | | | | | | |
| Net investment in capital assets | $ 4,481,404 | $ 4,538,990 | $ 4,691,579 | $ 4,832,659 | $ 5,117,679 | $ 5,690,741 | $ 5,752,069 | $ 6,176,022 | $ 6,764,333 | $ 7,013,098 |
| Restricted for: | | | | | | | | | | |
| Debt service | 62,421 | 53,951 | 58,970 | 64,143 | 100,923 | 127,073 | 202,262 | 294,499 | 331,118 | 316,671 |
| Capital projects | 161,580 | 176,570 | 299,942 | 363,601 | 358,745 | 340,896 | 394,634 | 515,072 | 556,980 | 523,169 |
| Other purposes | 18,741 | 18,913 | 13,046 | 24,721 | 35,986 | 70,505 | 93,696 | 294,122 | 165,675 | 116,861 |
| Unrestricted | 268,328 | 242,842 | 610,565 | 732,736 | (335,083) | (231,379) | (670,759) | (1,492,713) | (1,117,385) | (1,004,826) |
| Total business-type activities net position | $ 4,992,474 | $ 5,031,266 | $ 5,674,102 | $ 6,017,860 | $ 5,278,250 | $ 5,997,836 | $ 5,771,902 | $ 5,787,002 | $ 6,700,721 | $ 6,964,973 |
| **Primary government** | | | | | | | | | | |
| Net investment in capital assets (3) | $ 5,993,892 | $ 6,459,434 | $ 6,692,499 | $ 7,032,674 | $ 7,520,698 | $ 8,151,422 | $ 8,321,778 | $ 9,157,665 | $ 10,048,870 | $ 10,474,620 |
| Restricted for: | | | | | | | | | | |
| Reserve for rainy day | 33,439 | 34,109 | 26,339 | 83,194 | 114,969 | 120,106 | 125,689 | 143,977 | 324,977 | 229,069 |
| Debt service | 99,226 | 102,153 | 157,724 | 156,043 | 188,695 | 210,102 | 310,441 | 430,631 | 435,838 | 430,436 |
| Capital projects (3) | 223,694 | 246,027 | 356,002 | 418,103 | 330,213 | 423,132 | 569,948 | 569,115 | 692,052 | 793,888 |
| Community development | 59,763 | 240,771 | 109,423 | 200,640 | 297,094 | 433,398 | 434,691 | 427,684 | 624,127 | 628,484 |
| Transportation Authority activities | 1,386 | 6,705 | 10,924 | 12,496 | 13,486 | 15,657 | 16,189 | 17,499 | 21,554 | 28,673 |
| Building inspection programs | 32,112 | 49,364 | 71,131 | 97,928 | 109,512 | 134,663 | 150,109 | 155,448 | 166,510 | 162,182 |
| Children and families | 45,827 | 53,632 | 56,170 | 59,572 | 100,892 | 105,177 | 115,284 | 134,548 | 181,248 | 187,538 |
| Culture, recreation, grants and other purposes | 173,893 | 169,296 | 172,019 | 231,089 | 245,385 | 311,029 | 359,140 | 613,717 | 580,911 | 587,773 |
| Unrestricted (deficit) (3) | (360,479) | (410,215) | (157,970) | 67,752 | (2,355,480) | (1,897,787) | (2,844,956) | (3,971,305) | (3,473,875) | (3,424,068) |
| Total primary government activities net position | $ 6,302,753 | $ 6,951,276 | $ 7,494,261 | $ 8,359,491 | $ 6,565,464 | $ 8,006,899 | $ 7,558,313 | $ 7,678,979 | $ 9,602,212 | $ 10,098,595 |

Notes:
(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.
(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
(3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2019. See Note 10(d) in the Notes to Basic Financial Statements for details.
(4) In fiscal year 2018, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.



## CITY AND COUNTY OF SAN FRANCISCO

### CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

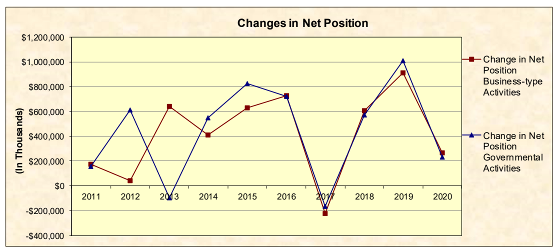
| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 (2) | 2016 | 2017 | 2018 (3) | 2019 | 2020 |
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public protection | $ 1,099,791 | $ 1,158,618 | $ 1,236,922 | $ 1,229,591 | $ 1,108,200 | $ 1,222,549 | $ 1,692,224 | $ 1,496,749 | $ 1,496,341 | $ 1,661,262 |
| Public works, transportation and commerce | 239,230 | 210,415 | 189,124 | 200,712 | 270,454 | 418,978 | 387,423 | 321,577 | 331,717 | 362,133 |
| Human welfare and neighborhood development | 885,194 | 942,523 | 946,562 | 1,009,190 | 1,073,652 | 1,233,403 | 1,543,047 | 1,552,060 | 1,720,425 | 2,137,968 |
| Community health | 613,883 | 673,905 | 751,491 | 786,761 | 735,040 | 747,071 | 868,628 | 914,512 | 960,422 | 1,148,208 |
| Culture and recreation | 318,083 | 307,269 | 338,042 | 357,620 | 355,676 | 311,028 | 539,516 | 425,668 | 594,219 | 519,015 |
| General administration and finance | 224,027 | 237,818 | 249,271 | 298,563 | 249,823 | 246,383 | 337,209 | 430,711 | 330,358 | 416,370 |
| General City responsibilities | 84,444 | 96,147 | 83,895 | 85,239 | 94,577 | 113,490 | 145,247 | 118,956 | 156,907 | 119,693 |
| Unallocated Interest on long-term debt and cost of issuance (1) | 110,142 | 110,145 | 107,790 | 115,880 | 115,030 | 115,357 | 113,264 | 138,048 | 153,220 | 145,600 |
| Total governmental activities expenses | 3,574,794 | 3,736,840 | 3,903,097 | 4,083,556 | 4,002,452 | 4,408,259 | 5,626,558 | 5,398,281 | 5,743,609 | 6,510,249 |
| Business-type activities: | | | | | | | | | | |
| Airport | 690,875 | 746,610 | 756,961 | 827,658 | 853,338 | 900,621 | 1,122,802 | 1,092,154 | 1,067,265 | 1,344,734 |
| Transportation | 905,218 | 959,088 | 1,026,726 | 1,037,368 | 1,018,251 | 1,106,420 | 1,468,586 | 1,304,254 | 1,304,358 | 1,438,417 |
| Port | 68,661 | 72,307 | 81,422 | 88,551 | 88,436 | 91,449 | 118,361 | 102,667 | 123,116 | 131,884 |
| Water | 362,802 | 431,248 | 445,804 | 470,200 | 438,885 | 470,254 | 572,509 | 536,068 | 536,480 | 576,140 |
| Power | 119,282 | 130,709 | 129,790 | 137,639 | 149,438 | 153,472 | 198,621 | 202,366 | 314,471 | 392,669 |
| Hospitals | 885,294 | 954,566 | 992,687 | 1,011,452 | 996,395 | 1,050,618 | 1,370,154 | 1,294,045 | 1,236,823 | 1,332,648 |
| Sewer | 201,629 | 214,593 | 223,727 | 243,466 | 239,556 | 244,289 | 273,077 | 264,298 | 304,010 | 296,842 |
| Market | 1,152 | 1,138 | 1,231 | 120 | - | - | - | - | - | - |
| Total business-type activities expenses | 3,234,913 | 3,510,259 | 3,658,348 | 3,816,454 | 3,784,299 | 4,017,123 | 5,124,110 | 4,795,852 | 4,886,523 | 5,513,334 |
| Total primary government expenses | $ 6,809,707 | $ 7,247,099 | $ 7,561,445 | $ 7,900,010 | $ 7,786,751 | $ 8,425,382 | $ 10,750,668 | $ 10,194,133 | $ 10,630,132 | $ 12,023,583 |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public protection | $ 62,105 | $ 61,412 | $ 60,190 | $ 69,673 | $ 70,444 | $ 86,164 | $ 83,896 | $ 87,614 | $ 121,848 | $ 105,508 |
| Public works, transportation and commerce | 101,846 | 93,809 | 105,981 | 135,842 | 128,661 | 130,410 | 148,804 | 157,416 | 164,578 | 138,328 |
| Human welfare and neighborhood development | 56,628 | 68,794 | 69,997 | 99,848 | 96,012 | 273,986 | 164,755 | 82,925 | 134,839 | 212,743 |
| Community health | 64,419 | 58,864 | 60,856 | 67,680 | 93,130 | 90,078 | 68,601 | 104,335 | 101,678 | 107,078 |
| Culture and recreation | 76,528 | 78,828 | 93,612 | 89,969 | 98,302 | 98,205 | 97,614 | 125,776 | 136,928 | 127,196 |
| General administration and finance | 37,601 | 44,358 | 76,903 | 66,071 | 89,403 | 52,417 | 45,385 | 73,235 | 99,278 | 97,130 |
| General City responsibilities | 29,316 | 29,142 | 50,121 | 39,445 | 37,031 | 45,922 | 37,367 | 54,136 | 56,027 | 66,885 |
| Operating grants and contributions | 1,040,116 | 998,701 | 1,086,154 | 1,142,094 | 1,165,340 | 1,289,902 | 1,263,262 | 1,279,900 | 1,392,516 | 1,518,051 |
| Capital grants and contributions | 57,719 | 41,174 | 29,718 | 39,379 | 48,233 | 24,795 | 19,493 | 63,181 | 233,184 | 146,400 |
| Total Governmental activities program revenues | 1,526,278 | 1,475,082 | 1,633,532 | 1,750,001 | 1,826,556 | 2,091,879 | 1,929,177 | 2,028,518 | 2,440,876 | 2,519,319 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Airport | 607,323 | 668,672 | 726,358 | 770,691 | 815,364 | 866,991 | 926,800 | 1,063,802 | 980,443 | 943,879 |
| Transportation | 334,140 | 350,464 | 494,805 | 521,628 | 499,584 | 495,296 | 500,030 | 511,984 | 505,159 | 390,285 |
| Port | 72,266 | 77,260 | 80,202 | 85,019 | 95,296 | 99,733 | 113,353 | 109,769 | 122,033 | 108,863 |
| Water | 288,395 | 342,101 | 721,470 | 379,882 | 426,047 | 419,516 | 460,331 | 525,639 | 542,391 | 583,351 |
| Power | 140,035 | 127,309 | 133,927 | 134,438 | 147,803 | 164,736 | 189,979 | 191,963 | 345,386 | 421,284 |
| Hospitals | 726,522 | 740,920 | 868,244 | 951,038 | 894,718 | 922,320 | 873,221 | 967,936 | 1,014,124 | 1,092,622 |
| Sewer | 229,216 | 244,155 | 252,554 | 260,097 | 256,002 | 261,775 | 277,341 | 315,096 | 331,081 | 344,128 |
| Market | 1,655 | 1,672 | 1,715 | 141 | - | - | - | - | - | - |
| Operating grants and contributions | 204,153 | 200,318 | 224,382 | 190,351 | 191,101 | 199,623 | 270,167 | 217,506 | 251,757 | 455,673 |
| Capital grants and contributions | 213,364 | 173,975 | 251,753 | 515,445 | 357,819 | 374,924 | 353,046 | 456,166 | 467,069 | 361,266 |
| Total business-type activities program revenues | 2,817,069 | 2,926,846 | 3,755,410 | 3,808,730 | 3,683,734 | 3,804,914 | 3,964,268 | 4,359,861 | 4,559,443 | 4,701,351 |
| Total primary government program revenues | $ 4,343,347 | $ 4,401,928 | $ 5,388,942 | $ 5,558,731 | $ 5,510,290 | $ 5,896,793 | $ 5,893,445 | $ 6,388,379 | $ 7,000,319 | $ 7,220,670 |

Notes:
(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.
(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

## CITY AND COUNTY OF SAN FRANCISCO

### CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

| | Fiscal Year 2011 | 2012 | 2013 | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (expenses)/revenue** | | | | | | | | | | |
| Governmental activities | $ (2,048,516) | $ (2,261,758) | $ (2,269,565) | $ (2,333,555) | $ (2,175,896) | $ (2,316,380) | $ (3,697,381) | $ (3,369,763) | $ (3,302,733) | $ (3,990,930) |
| Business-type activities | (417,844) | (583,413) | 97,062 | (7,724) | (100,565) | (212,209) | (1,159,842) | (435,991) | (327,080) | (811,983) |
| Total primary government net expenses | $ (2,466,360) | $ (2,845,171) | $ (2,172,503) | $ (2,341,279) | $ (2,276,461) | $ (2,528,589) | $ (4,857,223) | $ (3,805,754) | $ (3,629,813) | $ (4,802,913) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | $ 1,340,590 | $ 1,355,855 | $ 1,415,068 | $ 1,521,471 | $ 1,640,383 | $ 1,808,917 | $ 1,951,696 | $ 2,363,863 | $ 2,581,308 | $ 2,733,334 |
| Business taxes | 391,779 | 437,678 | 480,131 | 563,406 | 611,932 | 660,926 | 702,331 | 899,142 | 919,552 | 833,931 |
| Sales and use tax | 181,474 | 198,236 | 208,025 | 227,636 | 240,424 | 270,051 | 291,395 | 293,916 | 329,296 | 279,453 |
| Hotel room tax | 209,962 | 239,567 | 238,782 | 310,052 | 394,262 | 387,661 | 370,344 | 382,176 | 408,348 | 280,970 |
| Utility users tax | 91,683 | 91,676 | 91,871 | 86,810 | 98,979 | 98,651 | 101,203 | 94,460 | 93,918 | 94,231 |
| Other local taxes | 251,285 | 353,746 | 359,808 | 391,638 | 451,994 | 399,882 | 542,567 | 424,187 | 515,435 | 474,859 |
| Interest and investment income | 17,645 | 31,453 | 7,862 | 21,887 | 20,737 | 24,048 | 35,240 | 46,020 | 178,350 | 142,181 |
| Other | 58,524 | 91,236 | 52,865 | 70,024 | 46,906 | 59,266 | 182,933 | 71,834 | 88,788 | 63,552 |
| Transfers - internal activities of primary government | (337,132) | (251,088) | (483,028) | (311,627) | (504,791) | (671,173) | (647,942) | (753,283) | (802,748) | (679,450) |
| Special item | - | - | - | - | - | - | - | 116,690 | - | - |
| Extraordinary gain (loss) | - | 323,130 | (201,670) | - | - | - | - | - | - | - |
| Total governmental activities | 2,205,810 | 2,871,489 | 2,169,714 | 2,881,297 | 3,000,826 | 3,038,229 | 3,529,767 | 3,939,005 | 4,312,247 | 4,223,061 |
| Business-type activities: | | | | | | | | | | |
| Interest and investment income | 42,299 | 82,533 | 1,009 | 29,843 | 25,999 | 28,566 | 28,547 | 39,010 | 182,666 | 151,319 |
| Other | 214,993 | 288,584 | 61,737 | 82,737 | 200,148 | 240,636 | 257,419 | 246,827 | 237,045 | 245,466 |
| Transfers - internal activities of primary government | 337,132 | 251,088 | 483,028 | 311,627 | 504,791 | 671,173 | 647,942 | 753,283 | 802,748 | 679,450 |
| Special item | - | - | - | - | - | - | - | - | 18,340 | - |
| Extraordinary gain (loss) | - | - | - | (6,843) | - | - | - | - | - | - |
| Total business-type activities | 594,424 | 622,205 | 545,774 | 417,364 | 730,938 | 940,375 | 933,908 | 1,039,120 | 1,240,799 | 1,076,235 |
| Total primary government | $ 2,800,234 | $ 3,493,694 | $ 2,715,488 | $ 3,298,661 | $ 3,731,764 | $ 3,978,604 | $ 4,463,675 | $ 4,978,125 | $ 5,553,046 | $ 5,299,296 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | $ 157,294 | $ 609,731 | $ (99,851) | $ 547,742 | $ 824,930 | $ 721,849 | $ (167,614) | $ 569,242 | $ 1,009,514 | $ 232,131 |
| Business-type activities | 176,580 | 38,792 | 642,836 | 409,640 | 630,373 | 728,166 | (225,934) | 603,129 | 913,719 | 264,252 |
| Total primary government | $ 333,874 | $ 648,523 | $ 542,985 | $ 957,382 | $ 1,455,303 | $ 1,450,015 | $ (393,548) | $ 1,172,371 | $ 1,923,233 | $ 496,383 |




Notes:
(1) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
(2) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.



## CITY AND COUNTY OF SAN FRANCISCO

### FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | Fiscal Year 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | | | | |
| Nonspendable | $ 20,501 | $ 19,598 | $ 23,854 | $ 24,022 | $ 24,786 | $ 522 | $ 525 | $ 1,512 | $ 1,259 | $ 1,274 |
| Restricted | 33,439 | 34,109 | 26,339 | 83,194 | 114,969 | 120,106 | 125,689 | 143,977 | 324,977 | 229,069 |
| Committed | 33,431 | 79,276 | 137,487 | 145,126 | 142,815 | 187,170 | 327,607 | 371,698 | 397,563 | 363,410 |
| Assigned | 240,635 | 305,413 | 353,191 | 508,903 | 705,076 | 879,567 | 1,088,288 | 1,291,499 | 1,361,787 | 1,581,761 |
| Unassigned | - | 17,329 | - | 74,317 | 157,550 | 241,797 | 328,594 | 413,255 | 631,437 | 510,408 |
| Total general fund | $ 328,006 | $ 455,725 | $ 540,871 | $ 835,562 | $ 1,145,196 | $ 1,429,162 | $ 1,870,703 | $ 2,221,941 | $ 2,717,023 | $ 2,685,922 |
| **All other governmental funds** | | | | | | | | | | |
| Nonspendable | $ 192 | $ 1,104 | $ 274 | $ 441 | $ 329 | $ 82 | $ 82 | $ 82 | $ 140 | $ 82 |
| Restricted | 831,269 | 1,189,102 | 1,191,189 | 1,115,226 | 1,110,836 | 1,443,956 | 1,701,020 | 2,232,040 | 2,309,105 | 2,229,282 |
| Assigned | 27,622 | 28,006 | 30,759 | 50,733 | 66,740 | 66,085 | 78,413 | 124,076 | 114,640 | 125,319 |
| Unassigned | (59,523) | (136,856) | (94,532) | (64,983) | (34,158) | (103,811) | (245,445) | (904) | (331) | (729) |
| Total other governmental funds | $ 799,560 | $ 1,081,356 | $ 1,127,690 | $ 1,101,417 | $ 1,143,747 | $ 1,406,312 | $ 1,534,070 | $ 2,355,294 | $ 2,423,554 | $ 2,353,954 |

## CITY AND COUNTY OF SAN FRANCISCO

### CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| **Revenues:** | | | | | | | | | | |
| Property taxes | $ 1,380,356 | $ 1,352,857 | $ 1,421,764 | $ 1,517,261 | $ 1,642,159 | $ 1,798,776 | $ 1,937,694 | $ 2,171,601 | $ 2,765,473 | $ 2,654,937 |
| Business taxes | 391,779 | 437,678 | 480,131 | 563,406 | 611,932 | 660,926 | 702,331 | 899,142 | 919,552 | 833,931 |
| Sales and use tax | 181,474 | 198,236 | 208,025 | 227,636 | 240,424 | 267,443 | 291,710 | 296,209 | 329,296 | 279,453 |
| Hotel room tax | 209,962 | 239,567 | 238,782 | 310,052 | 394,262 | 387,661 | 370,344 | 382,176 | 408,348 | 280,970 |
| Utility users tax | 91,683 | 91,676 | 91,871 | 86,810 | 98,979 | 98,651 | 101,203 | 94,460 | 93,918 | 94,231 |
| Other local taxes | 251,285 | 353,889 | 359,808 | 391,638 | 451,994 | 399,882 | 542,567 | 424,187 | 515,435 | 474,859 |
| Licenses, permits and franchises | 35,977 | 39,770 | 40,901 | 42,371 | 42,959 | 43,722 | 44,397 | 43,180 | 43,416 | 38,472 |
| Fines, forfeitures and penalties | 11,770 | 30,090 | 49,841 | 28,425 | 28,154 | 36,169 | 30,798 | 34,220 | 48,896 | 43,830 |
| Interest and investment income | 17,041 | 31,371 | 7,489 | 21,678 | 20,583 | 23,931 | 35,089 | 45,890 | 177,832 | 141,638 |
| Rent and concessions | 78,995 | 89,183 | 98,770 | 90,712 | 99,102 | 135,865 | 100,544 | 105,284 | 155,346 | 118,865 |
| Intergovernmental: | | | | | | | | | | |
| Federal | 484,704 | 420,974 | 420,775 | 426,314 | 465,196 | 416,823 | 411,369 | 421,024 | 442,328 | 590,697 |
| State | 581,119 | 588,532 | 656,141 | 721,735 | 751,574 | 776,866 | 823,012 | 875,402 | 964,916 | 990,264 |
| Other | 32,017 | 33,181 | 41,789 | 9,408 | 15,774 | 85,872 | 13,814 | 16,993 | 13,630 | 26,483 |
| Charges for services | 258,015 | 264,856 | 296,059 | 333,904 | 359,044 | 392,665 | 378,437 | 415,569 | 437,540 | 398,405 |
| Other | 97,194 | 83,634 | 81,014 | 134,923 | 123,605 | 264,722 | 188,311 | 186,034 | 246,010 | 214,359 |
| Total revenues | 4,103,371 | 4,255,494 | 4,493,160 | 4,906,273 | 5,345,741 | 5,789,974 | 5,971,620 | 6,411,371 | 7,561,936 | 7,181,394 |
| **Expenditures:** | | | | | | | | | | |
| Public protection | 1,031,181 | 1,079,203 | 1,145,884 | 1,172,497 | 1,210,157 | 1,269,000 | 1,323,577 | 1,378,754 | 1,460,186 | 1,551,125 |
| Public works, transportation and commerce | 226,920 | 250,879 | 223,218 | 232,005 | 293,999 | 416,152 | 332,693 | 441,868 | 428,378 | 488,697 |
| Human welfare and neighborhood development | 870,091 | 918,414 | 945,106 | 995,192 | 1,095,419 | 1,252,588 | 1,424,425 | 1,499,216 | 1,698,081 | 2,070,388 |
| Community health | 595,222 | 653,263 | 734,736 | 761,439 | 753,832 | 776,612 | 712,495 | 815,762 | 918,330 | 1,026,915 |
| Culture and recreation | 310,392 | 311,156 | 328,794 | 331,914 | 352,852 | 364,909 | 390,038 | 424,794 | 453,554 | 460,157 |
| General administration and finance | 191,641 | 203,157 | 211,138 | 233,977 | 251,370 | 277,729 | 303,113 | 312,441 | 346,154 | 392,629 |
| General City responsibilities | 85,463 | 96,150 | 81,775 | 86,996 | 98,658 | 114,684 | 121,447 | 110,920 | 144,808 | 129,941 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 148,231 | 167,465 | 154,542 | 190,266 | 200,497 | 252,456 | 283,356 | 381,141 | 326,416 | 296,875 |
| Interest and fiscal charges | 101,716 | 103,706 | 108,189 | 119,142 | 121,371 | 119,723 | 125,091 | 136,925 | 168,839 | 150,646 |
| Bond issuance costs | 2,161 | 5,386 | 2,913 | 2,185 | 2,734 | 7,108 | 2,695 | 8,934 | 876 | 4,455 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | - | - | - | 8,905 |
| Capital outlay | 214,817 | 270,094 | 410,994 | 449,726 | 412,740 | 223,904 | 297,089 | 337,741 | 323,979 | 454,137 |
| Total expenditures | 3,777,835 | 4,058,873 | 4,347,289 | 4,575,339 | 4,793,629 | 5,074,865 | 5,316,019 | 5,848,496 | 6,269,601 | 7,034,870 |
| Excess of revenues over expenditures | 325,536 | 196,621 | 145,871 | 330,934 | 552,112 | 715,109 | 655,601 | 562,875 | 1,292,335 | 146,524 |



## CITY AND COUNTY OF SAN FRANCISCO

### CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| **Other financing sources (uses):** | | | | | | | | | | |
| Transfers in | 304,682 | 335,600 | 447,734 | 563,283 | 556,287 | 580,737 | 641,123 | 625,147 | 853,553 | 701,391 |
| Transfers out | (630,625) | (742,719) | (930,793) | (875,296) | (1,061,086) | (1,251,800) | (1,222,163) | (1,398,562) | (1,654,966) | (1,380,325) |
| Issuance of bonds and loans: | | | | | | | | | | |
| Face value of bonds issued | 232,965 | 804,090 | 557,490 | 257,175 | 449,530 | 595,925 | 276,570 | 1,293,595 | 72,420 | 615,625 |
| Face value of loans issued | 1,813 | 4,359 | 5,890 | 8,735 | 136,763 | - | 46,000 | - | - | - |
| Premium on issuance of bonds | 16,799 | 89,336 | 64,469 | 19,773 | 69,833 | 32,845 | 12,432 | 76,243 | - | 73,759 |
| Payment to refunded bond escrow agent | (142,458) | (487,390) | - | (49,055) | (359,225) | (131,935) | - | - | - | (257,675) |
| Proceeds from sale of capital assets | - | - | - | - | - | - | 122,000 | - | - | - |
| Other financing sources - capital leases | 19,769 | 12,304 | 13,470 | 12,869 | 7,750 | 5,650 | 37,736 | 2,027 | - | - |
| Total other financing sources (uses) | (197,055) | 15,580 | 158,260 | (62,516) | (200,148) | (168,578) | (86,302) | 598,450 | (728,993) | (247,225) |
| Extraordinary gain (loss) | - | 197,314 | (172,651) | - | - | - | - | - | - | - |
| Special item | - | - | - | - | - | - | - | 11,137 | - | - |
| Net change in fund balances | $ 128,481 | $ 409,515 | $ 131,480 | $ 268,418 | $ 351,964 | $ 546,531 | $ 569,299 | $ 1,172,462 | $ 563,342 | $ (100,701) |
| Debt service as a percentage of noncapital expenditures | 7.07% | 7.30% | 6.80% | 7.61% | 7.55% | 7.98% | 8.46% | 9.75% | 8.51% | 7.06% |
| Debt service as a percentage of total expenditures | 6.62% | 6.68% | 6.04% | 6.76% | 6.71% | 7.33% | 7.68% | 8.86% | 7.90% | 6.36% |

## CITY AND COUNTY OF SAN FRANCISCO

### ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

| | Assessed Value (1) | | | Exemptions (2) | | | Total Taxable | Total |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year (4) | Real Property | Personal Property | Total | Non-reim-bursable | Reim-bursable | Redevelopment Tax Increments | Assessed Value (3) | Direct Tax Rate |
| 2011....... | $ 162,347,329 | $ 4,066,754 | $ 166,414,083 | $ 6,910,812 | $ 663,664 | $ 11,540,067 | $ 147,299,540 | 1.00% |
| 2012....... | 168,914,782 | 3,716,092 | 172,630,874 | 7,205,992 | 660,247 | 13,842,390 | 150,922,245 | 1.00% |
| 2013....... | 171,327,361 | 3,801,645 | 175,129,006 | 7,460,708 | 660,566 | 14,032,211 | 152,975,521 | 1.00% |
| 2014....... | 179,368,068 | 4,101,609 | 183,469,677 | 7,494,941 | 657,439 | 15,962,884 | 159,354,413 | 1.00% |
| 2015....... | 186,530,855 | 4,392,133 | 190,922,988 | 8,173,599 | 656,490 | 15,730,217 | 166,362,682 | 1.00% |
| 2016....... | 197,889,670 | 4,667,489 | 202,557,159 | 8,252,472 | 654,116 | 15,798,019 | 177,852,552 | 1.00% |
| 2017....... | 216,357,277 | 5,003,459 | 221,360,736 | 9,061,126 | 647,177 | 17,057,074 | 194,595,359 | 1.00% |
| 2018....... | 240,129,959 | 5,033,413 | 245,163,372 | 11,372,719 | 638,914 | 20,790,719 | 212,361,020 | 1.00% |
| 2019....... | 268,211,395 | 5,398,846 | 273,610,241 | 15,056,415 | 627,379 | 21,989,616 | 235,936,831 | 1.00% |
| 2020....... | 289,711,888 | 7,346,098 | 297,057,986 | 17,689,802 | 617,454 | 23,132,814 | 255,617,916 | 1.00% |

Source:
Controller, City and County of San Francisco

Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
  (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

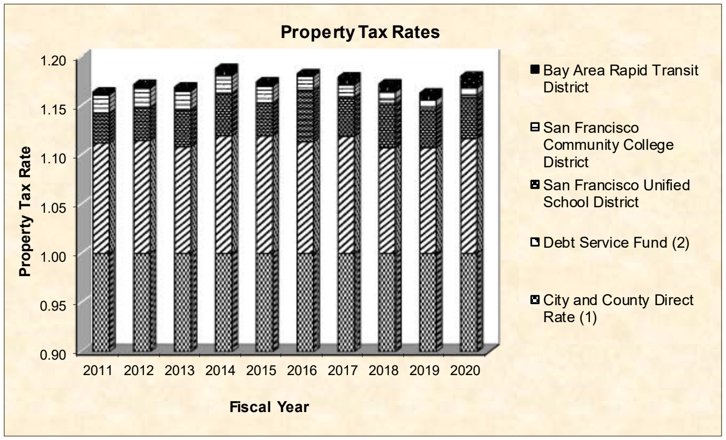


## CITY AND COUNTY OF SAN FRANCISCO

### DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate Per $100 of Assessed Value)

| | | Overlapping Rates | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | City and County Direct Rate (1) | Debt Service Fund (2) | San Francisco Unified School District | San Francisco Community College District | Bay Area Rapid Transit District | Total |
| 2011 | 1.00000000 | 0.11210000 | 0.03020000 | 0.01860000 | 0.00310000 | 1.1640 |
| 2012 | 1.00000000 | 0.11470000 | 0.03340000 | 0.01960000 | 0.00410000 | 1.1718 |
| 2013 | 1.00000000 | 0.10830000 | 0.03750000 | 0.01900000 | 0.00430000 | 1.1691 |
| 2014 | 1.00000000 | 0.11947956 | 0.04288739 | 0.01813305 | 0.00750000 | 1.1880 |
| 2015 | 1.00000000 | 0.11945760 | 0.03326497 | 0.01707743 | 0.00450000 | 1.1743 |
| 2016 | 1.00000000 | 0.11346583 | 0.05246647 | 0.01407283 | 0.00260000 | 1.1826 |
| 2017 | 1.00000000 | 0.11894004 | 0.03982180 | 0.01245918 | 0.00800000 | 1.1792 |
| 2018 | 1.00000000 | 0.10740904 | 0.04517555 | 0.01135485 | 0.00840000 | 1.1723 |
| 2019 | 1.00000000 | 0.10748997 | 0.03869354 | 0.00982024 | 0.00700000 | 1.1630 |
| 2020 | 1.00000000 | 0.11669015 | 0.04160439 | 0.00979486 | 0.01200000 | 1.1801 |




Notes:
(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

## CITY AND COUNTY OF SAN FRANCISCO

### PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago
(Dollar in Thousands)

| | | Fiscal Year 2020 | | | Fiscal Year 2011 | | |
|---|---|---|---|---|---|---|---|
| Assessee | Type of Business | Taxable Assessed Value (1) | Rank | Percentage of Total Taxable Assessed Value (2) | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value (2) |
| Sutter Bay Hospitals | Office, Commercial | $ 1,822,089 | 1 | 0.65% | $ - | | - |
| Transbay Towers LLC | Office, Commercial | 1,691,745 | 2 | 0.60% | - | | - |
| HWA 555 Owners LLC | Office, Commercial | 1,038,787 | 3 | 0.37% | 904,469 | 1 | 0.57% |
| Elm Property Venture LLC | Office, Commercial | 1,004,555 | 4 | 0.36% | - | | - |
| GSW Arena LLC | Entertainment Complex | 994,002 | 5 | 0.35% | - | | - |
| PPF Paramount One Market Plaza Owner LP | Office, Commercial | 850,993 | 6 | 0.30% | 740,958 | 2 | 0.47% |
| KR Mission Bay LLC | Office, Commercial | 789,225 | 7 | 0.28% | - | | - |
| SHR Group LLC | Office, Commercial | 732,943 | 8 | 0.26% | - | | - |
| SFDC 50 Fremont LLC | Office, Commercial | 703,106 | 9 | 0.25% | - | | - |
| Park Tower Oener LLC | Office, Commercial | 601,639 | 10 | 0.21% | - | | - |
| Emporium Mall LLC | Retail, Commercial | - | | - | 472,558 | 3 | 0.30% |
| HD333 LLC | Office, Commercial | - | | - | 386,927 | 4 | 0.24% |
| SHC Embarcadero LLC | Office, Commercial | - | | - | 383,331 | 5 | 0.24% |
| Post-Montgomery Associates | Office, Commercial | - | | - | 372,229 | 6 | 0.23% |
| SF Hilton Inc | Hotel | - | | - | 369,887 | 7 | 0.23% |
| SHR St. Francis LLC | Hotel | - | | - | 361,132 | 8 | 0.23% |
| PPF Off One Maritime Plaza LP | Office, Commercial | - | | - | 353,118 | 9 | 0.22% |
| One Embarcadero Center Venture | Office, Commercial | - | | - | 330,566 | 10 | 0.21% |
| Total | | $ 10,229,084 | | 3.63% | $ 4,675,175 | | 2.94% |

Source: Assessor, City and County of San Francisco

Notes:
(1) Data for fiscal year 2019-2020 updated as of August 1, 2019.
(2) Assessed values for fiscal years 2019-2020 and 2010-2011 are from the tax rolls of calendar year 2019 and 2010, respectively.

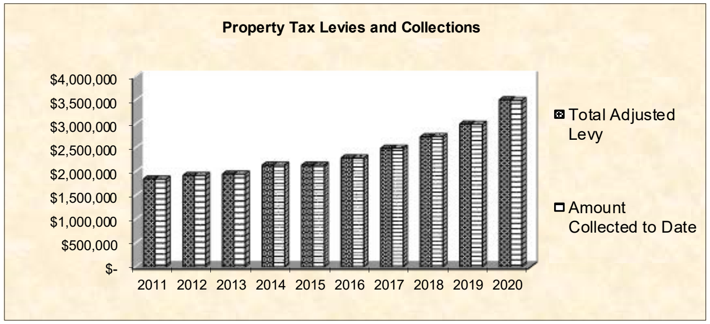


## CITY AND COUNTY OF SAN FRANCISCO

### PROPERTY TAX LEVIES AND COLLECTIONS (1) (2)

Last Ten Fiscal Years
(In Thousands)

| | | Collected within the Fiscal Year of the Levy | | | Total Collections to Date | |
|---|---|---|---|---|---|---|
| Fiscal Year | Total Adjusted Levy | Amount | Percentage of Original Levy | Collections in Subsequent Years (3) | Amount | Percentage of Adjusted Levy |
| 2011 | $1,849,132 | $ 1,799,523 | 97.32% | $ 45,787 | $ 1,845,310 | 99.79% |
| 2012 | 1,922,368 | 1,883,666 | 97.99 | 37,566 | 1,921,232 | 99.94 |
| 2013 | 1,952,525 | 1,919,060 | 98.29 | 31,580 | 1,950,640 | 99.90 |
| 2014 | 2,138,245 | 2,113,284 | 98.83 | 23,009 | 2,136,293 | 99.91 |
| 2015 | 2,139,050 | 2,113,968 | 98.83 | 21,166 | 2,135,134 | 99.82 |
| 2016 | 2,290,280 | 2,268,876 | 99.07 | 19,156 | 2,288,032 | 99.90 |
| 2017 | 2,492,789 | 2,471,486 | 99.15 | 21,966 | 2,493,452 | 100.03 |
| 2018 | 2,732,615 | 2,709,048 | 99.14 | 29,002 | 2,738,050 | 100.20 |
| 2019 | 2,999,794 | 2,977,664 | 99.26 | 17,194 | 2,994,858 | 99.84 |
| 2020 | 3,509,022 | 3,475,682 | 99.05 | 21,020 | 3,496,702 | 99.65 |




Source: Controller, City and County of San Francisco

Notes:
(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to the San Francisco Redevelopment Agency.
(2) Does not include SB-813 supplemental property taxes.
(3) Collections in subsequent years reflect assessment appeals reduction.

## CITY AND COUNTY OF SAN FRANCISCO

### RATIOS OF OUTSTANDING DEBT BY TYPE

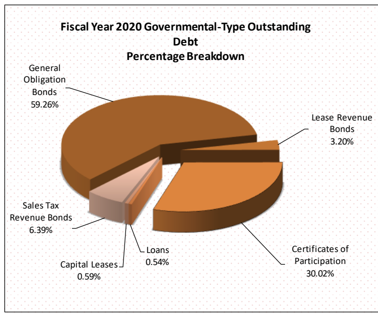
Last Ten Fiscal Years
(In Thousands, except per capita amount)

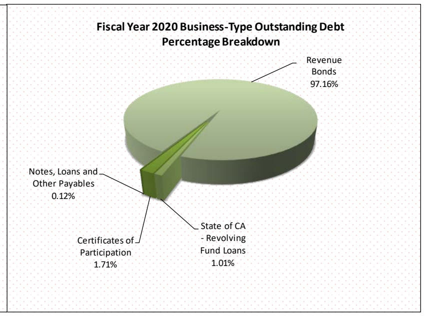
**Governmental Activities**

| Fiscal Year | General Obligation Bonds | Lease Revenue Bonds | Certificates of Participation | Loans | Capital Leases | Sales Tax Revenue Bonds | Subtotal |
|---|---|---|---|---|---|---|---|
| 2011 | $ 1,411,769 | $ 283,155 | $ 587,121 | $ 10,072 | $ 141,377 | $ - | $ 2,433,494 |
| 2012 | 1,617,397 | 275,876 | 552,998 | 13,878 | 22,878 | - | 2,483,027 |
| 2013 | 2,052,155 | 264,828 | 574,683 | 19,184 | 9,741 | - | 2,920,591 |
| 2014 | 2,105,885 | 243,503 | 544,817 | 27,441 | 3,085 | - | 2,924,731 |
| 2015 | 2,096,765 | 216,527 | 507,504 | 163,837 | - | - | 2,984,633 |
| 2016 | 2,227,515 | 197,217 | 623,956 | 143,059 | - | - | 3,191,747 |
| 2017 | 2,281,894 | 182,783 | 582,759 | 162,876 | 32,586 | - | 3,242,898 |
| 2018 | 2,693,252 | 171,667 | 987,014 | 47,462 | 30,654 | 268,917 | 4,198,966 |
| 2019 | 2,488,987 | 133,592 | 944,447 | 22,365 | 27,102 | 267,701 | 3,884,194 |
| 2020 | 2,351,707 | 127,138 | 1,191,336 | 21,385 | 23,490 | 253,566 | 3,968,622 |

**Business-Type Activities**

| Fiscal Year | Revenue Bonds | State of CA - Revolving Fund Loans | Certificates of Participation | Notes, Loans and Other Payables | Capital Leases | Subtotal | Total Primary Government | Percentage of Personal Income (1) (2) | Per Capita (1) (3) |
|---|---|---|---|---|---|---|---|---|---|
| 2011 | $ 8,090,624 | $ 46,492 | $ 193,579 | $ 32,434 | $ 652 | $ 8,363,781 | $ 10,797,275 | 17.11% | $ 13,284 |
| 2012 | 9,280,580 | 36,898 | 348,641 | 7,163 | 3,155 | 9,676,437 | 12,159,464 | 17.23 | 14,723 |
| 2013 | 9,342,222 | - | 339,007 | 7,370 | 3,606 | 9,692,205 | 12,612,796 | 17.31 | 14,995 |
| 2014 | 9,668,418 | - | 365,867 | 7,596 | 2,512 | 10,044,393 | 12,969,124 | 16.79 | 15,214 |
| 2015 | 10,040,660 | - | 355,113 | 7,840 | 1,174 | 10,404,787 | 13,389,420 | 14.95 | 15,533 |
| 2016 | 10,078,794 | - | 343,270 | 8,180 | 266 | 10,430,510 | 13,622,257 | 14.17 | 15,549 |
| 2017 | 11,185,043 | - | 330,924 | 9,241 | - | 11,525,208 | 14,768,106 | 13.93 | 16,798 |
| 2018 | 13,194,466 | 22,607 | 318,019 | 14,196 | - | 13,549,288 | 17,748,254 | 15.37 | 20,153 |
| 2019 | 14,935,423 | 88,032 | 304,547 | 18,763 | - | 15,346,765 | 19,230,959 | 15.90 | 21,815 |
| 2020 | 15,613,982 | 161,820 | 274,068 | 19,692 | - | 16,069,562 | 20,038,184 | 16.15 | 22,691 |




Notes:

(1) See Demographic and Economic Statistics, for personal income and population data.
(2) 2018 and 2019 were updated from last year's CAFR with newly available data.
(3) 2018 and 2019 were updated from last year's CAFR with newly available data.



## CITY AND COUNTY OF SAN FRANCISCO

### RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years
(In Thousands, except per capita amount)

| Fiscal Year | General Obligation Bonds (1) | Less: Amounts Restricted for Debt Service | Total | Per Capita (2) (3) | Percentage of Taxable Assessed Value (4) |
|---|---|---|---|---|---|
| 2011 | $ 1,411,769 | $ 39,330 | $ 1,372,439 | $ 1,688 | 0.86% |
| 2012 | 1,617,397 | 51,033 | 1,566,364 | 1,897 | 0.95% |
| 2013 | 2,052,155 | 102,188 | 1,949,967 | 2,318 | 1.16% |
| 2014 | 2,105,885 | 95,451 | 2,010,434 | 2,358 | 1.14% |
| 2015 | 2,096,765 | 91,292 | 2,005,473 | 2,327 | 1.10% |
| 2016 | 2,227,515 | 86,754 | 2,140,761 | 2,444 | 1.10% |
| 2017 | 2,281,894 | 111,892 | 2,170,002 | 2,468 | 1.02% |
| 2018 | 2,693,252 | 127,766 | 2,565,486 | 2,913 | 1.10% |
| 2019 | 2,488,987 | 104,149 | 2,384,838 | 2,705 | 0.92% |
| 2020 | 2,351,707 | 118,506 | 2,233,201 | 2,529 | 0.80% |

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
(2) Population data can be found in Demographic and Economic Statistics.
(3) Fiscal years 2018 and 2019 are updated from last year's CAFR with newly available data.
(4) Taxable property data can be found in Assessed Value of Taxable Property.

## CITY AND COUNTY OF SAN FRANCISCO

### LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

| | Fiscal Year 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Debt limit | $ 4,785,098 | $ 4,962,746 | $ 5,030,049 | $ 5,279,242 | $ 5,482,482 |
| Total net debt applicable to limit (1) | 1,411,769 | 1,617,397 | 2,052,155 | 2,105,885 | 2,096,765 |
| Legal debt margin | $ 3,373,329 | $ 3,345,349 | $ 2,977,894 | $ 3,173,357 | $ 3,385,717 |
| Total net debt applicable to the limit as a percentage of debt limit | 29.50% | 32.59% | 40.80% | 39.89% | 38.24% |

| | Fiscal Year 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Debt limit | $ 5,829,141 | $ 6,368,988 | $ 7,013,720 | $ 7,756,615 | $ 8,381,046 |
| Total net debt applicable to limit (1) | 2,227,514 | 2,281,894 | 2,693,252 | 2,488,987 | 2,351,707 |
| Legal debt margin | $ 3,601,627 | $ 4,087,094 | $ 4,320,468 | $ 5,267,628 | $ 6,029,339 |
| Total net debt applicable to the limit as a percentage of debt limit | 38.21% | 35.83% | 38.40% | 32.09% | 28.06% |

**Legal Debt Margin Calculation for Fiscal Year 2020**

| | |
|---|---|
| Total assessed value | $ 297,057,986 |
| Less: non-reimbursable exemptions (2) | 17,689,802 |
| Assessed value (2) | $ 279,368,184 |
| | |
| Debt limit (three percent of valuation subject to taxation )(3) | $ 8,381,046 |
| Debt applicable to limit - general obligation bonds | 2,351,707 |
| Legal debt margin | $ 6,029,339 |

Notes:
(1) Per outstanding general obligation bonds adjusted with bond premium and discount.
(2) Source: Assessor, City and County of San Francisco
(3) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."



## CITY AND COUNTY OF SAN FRANCISCO

### DIRECT AND OVERLAPPING DEBT
June 30, 2020

| Debts | Total Debt Outstanding (In thousands) | Estimated Percentage Applicable to City and County (1) | Estimated Share of Overlapping Debt (In thousands) |
|---|---|---|---|
| **Direct Debt** | | | |
| General Obligation Bonds | | | $ 2,351,707 |
| Lease Revenue Bonds | $ 127,138 | 100.00% | 127,138 |
| Sales Tax Revenue Bonds | 253,566 | 100.00% | 253,566 |
| Certificates of Participation | 1,191,336 | 100.00% | 1,191,336 |
| Loans | 21,385 | 100.00% | 21,385 |
| Lease Purchase Financing | 23,490 | 100.00% | 23,490 |
| Total Direct Debt | | | 3,968,622 |
| **Overlapping Debt** | | | |
| General Obligation Bonds | | | |
| San Francisco Unified School District | 897,534 | 100.00% | 897,534 |
| San Francisco Community College District | 227,758 | 100.00% | 227,758 |
| Bay Area Rapid Transit District | 780,475 | 34.03% | 265,596 |
| Total Overlapping Debt | | | 1,390,888 |
| Total Direct and Overlapping Debt | | | $ 5,359,510 |
| | | | |
| Assessed valuation (net of non- reimbursable exemption) | | | $ 279,368,184 |
| Population - 2020 (2) | | | 883,083 |
| | | | |
| Percentage of direct and overlapping general obligation debt per assessed valuation | | | 1.34% |
| Percentage of total direct and overlapping debt per assessed valuation | | | 1.92% |
| Estimated total direct and overlapping total debt per capita | | | $6.069 |

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts boundaries and dividing it by the City's total taxable assessed value.

(2) Sources: US Census Bureau

# CITY AND COUNTY OF SAN FRANCISCO

## PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years
(In Thousands)

### San Francisco International Airport (1)

| Fiscal Year | Operating Revenues (2) | Less: Operating Expenses (3) | Net Available Revenue | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage |
|---|---|---|---|---|---|---|---|
| 2011 | $ 622,709 | $ 331,399 | $ 291,310 | $ 134,800 | $ 177,581 | $ 312,381 | 0.93 |
| 2012 | 701,025 | 369,376 | 331,649 | 135,760 | 189,696 | 325,456 | 1.02 |
| 2013 | 728,044 | 380,543 | 347,501 | 152,355 | 185,000 | 337,355 | 1.03 |
| 2014 | 776,116 | 402,176 | 373,940 | 163,095 | 202,219 | 365,314 | 1.02 |
| 2015 | 824,482 | 392,361 | 432,121 | 181,645 | 211,804 | 393,449 | 1.10 |
| 2016 | 880,948 | 412,114 | 468,834 | 208,860 | 185,297 | 394,157 | 1.19 |
| 2017 | 934,692 | 543,019 | 391,673 | 194,225 | 210,330 | 404,555 | 0.97 |
| 2018 | 1,075,118 | 505,018 | 570,100 | 201,295 (4) | 204,046 (4) | 405,341 | 1.41 |
| 2019 | 1,072,368 | 495,222 | 577,146 | 214,710 (4) | 221,749 (4) | 436,459 | 1.32 |
| 2020 | 1,031,129 | 618,954 | 412,175 | 210,595 | 268,573 | 479,168 | 0.86 |

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.
(2) Operating revenues consist of Airport operating revenues and interest and investment income.
(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.
(4) Principal and interest payments were updated in FY2018 through FY2019.

### San Francisco Water Department (5)

| Fiscal Year | Gross Revenues (6) | Less: Operating Expenses (7) | Adjustments(9) | Net Available Revenue | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 305,678 | $ 261,927 | $ 126,126 | $ 169,877 | $ 27,795 | $ 58,759 (8) | $ 86,554 | 1.96 |
| 2012 | 375,551 | 304,562 | 115,667 | 186,656 | 44,050 | 78,239 (8) | 122,289 | 1.53 |
| 2013 | 721,189 | 303,739 | 157,518 | 574,968 | 45,965 | 93,569 (8) | 139,534 | 4.12 |
| 2014 | 390,789 | 333,555 | 426,527 | 483,761 | 25,850 | 115,476 (8) | 141,326 | 3.42 |
| 2015 | 431,836 | 296,950 | 310,139 | 445,025 | 25,850 | 166,462 (8) | 192,312 | 2.31 |
| 2016 | 423,111 | 314,786 | 283,568 | 391,893 | 29,695 | 189,500 (8) | 219,195 | 1.79 |
| 2017 | 464,662 | 421,827 | 351,605 | 394,440 | 41,310 | 166,502 (8) | 207,812 | 1.90 |
| 2018 | 532,087 | 370,147 | 337,643 | 499,583 | 48,875 | 185,084 (8) | 233,959 | 2.14 |
| 2019 | 558,041 | 357,094 | 332,034 | 532,981 | 76,665 | 184,973 (8) | 261,638 | 2.04 |
| 2020 | 593,868 | 398,117 | 386,127 | 581,878 | 100,970 | 168,240 (8) | 269,210 | 2.16 |

(5) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(6) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(7) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest. FY2019 was updated with new available data.
(8) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2020 also includes "springing" amendments.
(9) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports. FY2019 was updated with new available data.

### Municipal Transportation Agency

| Fiscal Year | Base Rental Payment and Gross Meter Revenue Charges (10)(11) | Less: Operating Expenses(12)(13) | Net Available Revenue | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage |
|---|---|---|---|---|---|---|---|
| 2011 | $ 41,204 | $ 21,077 | $ 20,127 | $ 1,615 | $ 1,068 | $ 2,683 | 7.50 |
| 2012 | 47,810 | 19,419 | 28,391 | 1,685 | 995 | 2,680 | 10.59 |
| 2013 | 607,125 | 471,490 | 135,635 | 3,075 | 1,856 | 4,931 | 27.51 |
| 2014 | 642,614 | 509,762 | 132,852 | 5,895 | 3,686 | 9,581 | 13.87 |
| 2015 | 626,312 | 527,125 | 99,187 | 7,695 | 6,945 | 14,640 | 6.78 |
| 2016 | 619,650 | 563,750 | 55,900 | 7,340 | 9,155 | 16,495 | 3.39 |
| 2017 | 614,619 | 572,162 | 42,457 | 7,640 | 8,865 | 16,505 | 2.57 |
| 2018 | 652,919 | 587,355 | 65,564 | 12,350 | 15,602 | 27,952 | 2.35 |
| 2019 | 686,346 | 576,970 | 109,376 | 10,055 | 14,636 | 24,691 | 4.43 |
| 2020 | 762,317 | 663,579 | 98,738 | 10,545 | 14,261 | 24,806 | 3.98 |

(10) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.
(11) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code) (the "AB 1107"), and State Transit Assistance.
(12) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.
(13) Effective FY2013, related to the new bonds, the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.





## PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years
(In Thousands)

### San Francisco Wastewater Enterprise (14)

| Fiscal Year | Gross Revenues (15) | Less: Operating Expenses (16) | Adjustments (17) | Net Available Revenue | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 231,143 | $ 179,084 | $ 56,239 | $ 108,298 | $ 26,320 | $ 18,563 (18) | $ 44,883 | 2.41 |
| 2012 | 247,936 | 195,857 | 107,125 | 159,204 | 22,010 | 20,180 (18) | 42,190 | 3.77 |
| 2013 | 253,078 | 208,260 | 109,323 | 154,141 | 23,095 | 15,655 (18) | 38,750 | 3.98 |
| 2014 | 262,497 | 216,340 | 172,831 | 218,988 | 32,805 | 32,047 (18) | 64,852 | 3.38 |
| 2015 | 257,209 | 216,485 | 190,236 | 230,960 | 30,895 | 30,006 (18) | 60,901 | 3.79 |
| 2016 | 262,960 | 221,553 | 198,524 | 239,931 | 31,115 | 28,907 (18) | 60,022 | 4.00 |
| 2017 | 279,668 | 244,220 | 216,095 | 251,543 | 20,870 | 39,537 (18) | 60,407 | 4.16 |
| 2018 | 317,413 | 238,906 | 231,515 | 310,022 | 20,015 | 26,988 (18) | 47,003 | 6.60 |
| 2019 | 351,782 | 259,813 | 161,677 | 253,646 | 22,435 | 37,912 (18) | 60,347 | 4.20 |
| 2020 | 356,265 | 262,259 | 287,798 | 381,804 | 23,324 | 39,475 (18) | 62,799 | 6.08 |

(14) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(15) Gross revenue consists of charges for services, rental income and other income.
(16) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest. FY2018 was updated with new available data.
(17) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports. FY2018 was updated with new available data.
(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2019 also includes a "springing" amendment. Capitalized interest was excluded in FY2018 and FY2019.

### Port of San Francisco (19)

| Fiscal Year | Total Operating Revenues (20) | Less: Operating Expenses (21) | Net Available Revenue | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage |
|---|---|---|---|---|---|---|---|
| 2011 | $ 73,675 | $ 51,871 | $ 21,804 | $ 485 | $ 2,358 | $ 2,843 | 7.67 |
| 2012 | 79,273 | 55,471 | 23,802 | 670 | 2,175 | 2,845 | 8.37 |
| 2013 | 81,536 | 63,615 | 17,921 | 695 | 2,151 | 2,846 | 6.30 |
| 2014 | 87,213 | 63,410 | 23,803 | 725 | 2,122 | 2,847 | 8.36 |
| 2015 | 96,265 | 60,896 | 35,369 | 1,400 | 2,771 | 4,171 | 8.48 |
| 2016 | 100,699 | 64,896 | 35,803 | 1,225 | 2,951 | 4,176 | 8.57 |
| 2017 | 114,854 | 89,882 | 24,972 | 1,265 | 2,904 | 4,169 | 5.99 |
| 2018 | 112,000 | 79,027 | 32,973 | 1,325 | 2,849 | 4,174 | 7.90 |
| 2019 | 125,363 | 86,598 | 38,765 | 1,390 | 2,787 | 4,177 | 9.28 |
| 2020 | 107,165 | 96,032 | 11,133 | 1,455 | 2,718 | 4,173 | 2.67 |

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(20) Total revenues consist of operating revenues and interest and investment income. FY2019 was updated with new available data.
(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs. FY2019 was updated with new available data.

### Hetch Hetchy Water and Power (22)

| Fiscal (26) Year | Gross Revenues (23) | Less: Operating Expenses (24) | Adjustments (25) | Net Available Revenue | Debt Service (26) Principal | Debt Service (26) Interest | Debt Service (26) Total | Coverage |
|---|---|---|---|---|---|---|---|---|
| 2011 | $ 113,253 | $ 86,266 | $ 14,786 | $ 41,773 | $ 422 | $ - | $ 422 | 98.99 |
| 2012 | 100,622 | 93,607 | 13,536 | 20,551 | 422 | - | 422 | 48.70 |
| 2013 | 101,191 | 93,259 | 6,765 | 14,697 | 1,009 | 898 | 1,907 | 7.71 |
| 2014 | 105,767 | 101,041 | 11,726 | 16,452 | 1,308 | 667 | 1,975 | 8.33 |
| 2015 | 117,704 | 105,222 | 38,714 | 51,196 | 1,321 | 625 | 1,946 | 26.31 |
| 2016 | 122,954 | 110,012 | 20,102 | 33,044 | - | - | - | |
| 2017 | 122,187 | 116,935 | 58,176 | 63,428 | - | - | - | |
| 2018 | 122,251 | 119,395 | 64,356 | 67,212 | 710 | 1,860 | 2,570 | 26.15 |
| 2019 | 152,873 | 122,687 | 40,827 | 71,013 | 730 | 1,839 | 2,569 | 27.64 |
| 2020 | 151,835 | 148,127 | 73,897 | 77,605 | 755 | 1,813 | 2,568 | 30.22 |

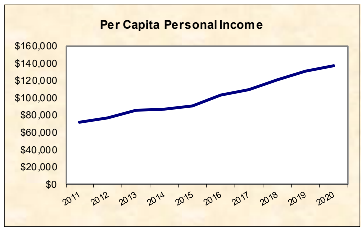
(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(23) Gross revenues consists of charges for power services, rental income and other income.
(24) Operating expenses only include power operating expense.
(25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.
(26) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

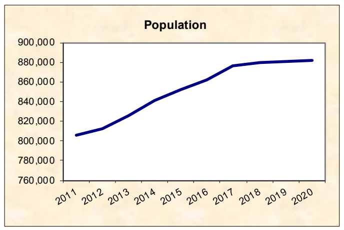
## CITY AND COUNTY OF SAN FRANCISCO

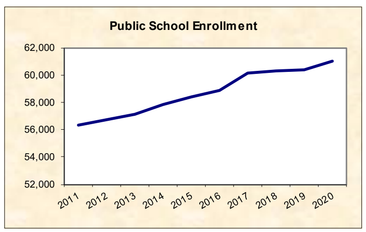
### DEMOGRAPHIC AND ECONOMIC STATISTICS

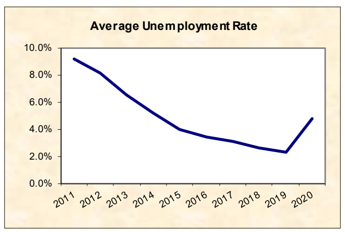
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (In Thousands) (2) | Per Capita Personal Income (3) | Median Age (4) | Public School Enrollment (5) | Average Unemployment Rate (6) |
|---|---|---|---|---|---|---|
| 2011 | 812,826 | $63,102,121 | $77,633 | 37.3 | 56,299 | 9.2% |
| 2012 | 825,863 | 70,573,974 | 85,455 | 38.5 | 56,758 | 8.1% |
| 2013 | 841,138 | 72,858,445 | 86,619 | 37.9 | 57,105 | 6.5% |
| 2014 | 852,469 | 77,233,279 | 90,600 | 37.4 | 57,860 | 5.2% |
| 2015 | 862,004 | 89,533,450 | 103,867 | 37.8 | 58,414 | 4.0% |
| 2016 | 876,103 | 96,161,308 | 109,760 | 37.9 | 58,865 | 3.4% |
| 2017 | 879,166 | 106,006,635 | 120,576 | 38.1 | 60,133 | 3.1% |
| 2018 | 880,696 (7) | 115,444,581 (8) | 131,083 (9) | 38.0 (10) | 60,263 | 2.6% |
| 2019 | 881,549 (7) | 120,945,422 (8) | 137,196 (9) | 38.0 (10) | 60,390 | 2.3% |
| 2020 | 883,083 (7) | 124,066,697 (8) | 140,493 (9) | 38.2 (10) | 61,031 | 4.8% |




Sources:

(1) US Census Bureau. Fiscal years 2018 and 2019 were updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2018 and 2019 were updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2018 and 2019 were updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:

(7) 2018 and 2019 were updated from last year's CAFR with newly available data. 2020 population was estimated by multiplying the estimated 2019 population by the 2019 - 2020 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2018 and 2019 remained at the 2019 level of 4.59 percent. Fiscal years 2018 and 2019 were updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2019 and 2020 was estimated by dividing the estimated personal income for 2019 and 2020 by the reported and estimated population in 2019 and 2020, respectively. Fiscal years 2018 and 2019 are updated from last year's CAFR with newly available data. 2019 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2019 population.
(10) Median age for 2019 and 2020 was estimated by averaging the median age in 2018 and 2019.



## CITY AND COUNTY OF SAN FRANCISCO

### Principal Employers

Current Year and Nine Years Ago

| Employer | Year 2019 (1)(a) Employees | Rank | Percentage of Total City Employment | Year 2010 (2) Employees | Rank | Percentage of Total City Employment |
|---|---|---|---|---|---|---|
| City and County of San Francisco...................... | 36,910 | 1 | 6.68% | 25,488 | 1 | 5.59% |
| University of California, San Francisco (b)............. | 34,690 | 2 | 6.28% | 11,639 | 2 | 2.55% |
| San Francisco Unified School District.................. | 10,257 | 3 | 1.86% | - | - | - |
| Salesforce.................................................... | 9,100 | 4 | 1.65% | - | - | - |
| Wells Fargo & Co........................................... | 7,296 | 5 | 1.32% | 9,089 | 3 | 1.99% |
| Kaiser Permanente......................................... | 6,659 | 6 | 1.20% | 3,490 | 9 | 0.77% |
| United.......................................................... | 6,153 | 7 | 1.11% | - | - | - |
| Sutter Health................................................. | 6,134 | 8 | 1.11% | - | - | - |
| Uber Technologies Inc..................................... | 5,500 | 9 | 1.00% | - | - | - |
| Gap Inc........................................................ | 4,500 | 10 | 0.81% | 3,783 | 8 | 0.83% |
| California Pacific Medical Center........................ | - | - | - | 6,600 | 4 | 1.45% |
| State of California........................................... | - | - | - | 5,465 | 5 | 1.20% |
| United States Postal Service............................. | - | - | - | 4,369 | 6 | 0.96% |
| PG&E Corporation.......................................... | - | - | - | 4,080 | 7 | 0.90% |
| San Francisco State University.......................... | - | - | - | 3,243 | 10 | 0.71% |
| Total Top 10 Employers.................................... | 127,199 | | 23.02% | 77,246 | | 16.95% |
| Total City and County Employment (3).................. | 552,650 | | | 455,683 | | |

Source:

(1) City and County of San Francisco data provided by Office of Controller's Payroll and Personnel Services Dvision. All other data is obtained from the San Francisco Business Times Book of Lists
(2) FY 2010-11 Comprehensive Annual Financial Report - City and County of San Francisco
(3) State of California Employee Development Department

Note:

(a) The latest data as of calendar year-end 2019 is presented
(b) The latest data as of calendar year-end 2018 is presented

## CITY AND COUNTY OF SAN FRANCISCO

### FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)

Last Ten Fiscal Years

| Function | Fiscal Year 2011 | 2012 | 2013 | 2014 | 2015 (2) | 2016 (2) | 2017 | 2018 | 2019 (3) | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public Protection | | | | | | | | | | |
| Fire Department | 1,512 | 1,474 | 1,463 | 1,464 | 1,494 | 1,575 | 1,620 | 1,646 | 1,667 | 1,677 |
| Police | 2,681 | 2,665 | 2,655 | 2,727 | 2,784 | 2,871 | 3,013 | 2,971 | 3,053 | 3,203 |
| Sheriff | 953 | 1,010 | 1,013 | 984 | 1,015 | 1,006 | 1,056 | 1,001 | 1,020 | 1,031 |
| Other | 969 | 956 | 1,021 | 1,032 | 1,049 | 1,077 | 1,081 | 1,138 | 1,146 | 1,161 |
| Total Public Protection | 6,115 | 6,105 | 6,152 | 6,207 | 6,342 | 6,529 | 6,770 | 6,756 | 6,886 | 7,072 |
| Public Works, Transportation and Commerce | | | | | | | | | | |
| Municipal Transportation Agency | 4,160 | 4,141 | 4,388 | 4,484 | 4,685 | 4,931 | 5,160 | 5,178 | 5,338 | 5,477 |
| Airport Commission | 1,294 | 1,377 | 1,443 | 1,460 | 1,473 | 1,493 | 1,541 | 1,586 | 1,587 | 1,592 |
| Department of Public Works | 791 | 783 | 808 | 825 | 852 | 925 | 981 | 1,027 | 1,057 | 1,071 |
| Public Utilities Commission | 1,584 | 1,616 | 1,620 | 1,621 | 1,618 | 1,634 | 1,637 | 1,648 | 1,676 | 1,690 |
| Other | 508 | 536 | 583 | 612 | 626 | 627 | 637 | 631 | 621 | 626 |
| Total Public Works, Transportation and Commerce | 8,337 | 8,453 | 8,842 | 9,002 | 9,254 | 9,610 | 9,956 | 10,070 | 10,279 | 10,456 |
| Community Health | | | | | | | | | | |
| Public Health | 5,696 | 5,671 | 5,800 | 6,126 | 6,284 | 6,602 | 6,806 | 6,857 | 6,866 | 6,886 |
| Total Community Health | 5,696 | 5,671 | 5,800 | 6,126 | 6,284 | 6,602 | 6,806 | 6,857 | 6,866 | 6,886 |
| Human Welfare and Neighborhood Development | | | | | | | | | | |
| Human Services | 1,685 | 1,691 | 1,750 | 1,855 | 1,964 | 2,046 | 2,068 | 2,099 | 2,094 | 2,141 |
| Other | 284 | 269 | 244 | 244 | 246 | 242 | 375 | 386 | 394 | - |
| Total Human Welfare and Neighborhood Development | 1,969 | 1,960 | 1,994 | 2,099 | 2,210 | 2,288 | 2,443 | 2,485 | 2,488 | 2,141 |
| Culture and Recreation | | | | | | | | | | |
| Recreation and Park Commission | 851 | 834 | 841 | 870 | 893 | 916 | 935 | 934 | 927 | 940 |
| Public Library | 645 | 628 | 640 | 652 | 661 | 662 | 683 | 698 | 696 | 701 |
| War Memorial | 63 | 63 | 63 | 57 | 58 | 65 | 68 | 69 | 71 | 71 |
| Other | 201 | 199 | 210 | 213 | 214 | 215 | 211 | 214 | 213 | 212 |
| Total Culture and Recreation | 1,760 | 1,724 | 1,754 | 1,792 | 1,826 | 1,858 | 1,897 | 1,915 | 1,907 | 1,924 |
| General Administration and Finance | | | | | | | | | | |
| Administrative Services | 616 | 637 | 723 | 716 | 750 | 803 | 830 | 845 | 871 | 917 |
| City Attorney | 300 | 299 | 303 | 308 | 308 | 306 | 307 | 307 | 309 | 310 |
| Telecommunications and Information Services | 210 | 196 | 199 | 216 | 209 | 221 | 228 | 232 | 225 | 220 |
| Controller | 194 | 201 | 198 | 204 | 219 | 253 | 263 | 257 | 251 | 250 |
| Human Resources | 119 | 123 | 124 | 135 | 143 | 152 | 155 | 148 | 166 | 172 |
| Treasurer/Tax Collector | 211 | 208 | 202 | 211 | 226 | 219 | 219 | 207 | 207 | 208 |
| Mayor | 42 | 37 | 49 | 49 | 50 | 55 | 56 | 58 | 63 | 78 |
| Other | 540 | 567 | 561 | 602 | 615 | 658 | 695 | 697 | 699 | 738 |
| Total General Administration and Finance | 2,232 | 2,268 | 2,359 | 2,441 | 2,520 | 2,667 | 2,753 | 2,751 | 2,791 | 2,893 |
| General City Responsibilities | | | | | | | | | | |
| General City Responsibilities | - | - | - | - | - | - | - | - | - | 1 |
| Subtotal annually funded positions | 26,109 | 26,181 | 26,901 | 27,667 | 28,436 | 29,554 | 30,625 | 30,834 | 31,220 | 31,373 |
| Capital project funded positions | 1,885 | 1,892 | 1,486 | 1,569 | 1,721 | 1,789 | 2,124 | 2,211 | 2,300 | 2,409 |
| Total annually funded positions | 27,994 | 28,073 | 28,387 | 29,236 | 30,157 | 31,343 | 32,749 | 33,045 | 33,520 | 33,782 |

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.
(2) 2015 and 2016 has been updated with newly available data
(3) 2019 has been updated with newly available data



## CITY AND COUNTY OF SAN FRANCISCO

### OPERATING INDICATORS BY FUNCTION (1)

Last Ten Fiscal Years

| Function | Fiscal Year 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Public Protection** | | | | | | | | | | |
| Fire and Emergency Communications | | | | | | | | | | |
| Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile | 7:13 | 7:19 | 7:18 | 7:36 | 8:30 | 8:12 | 7:41 | 7:40 | 7:54 | 7:57 |
| Police | | | | | | | | | | |
| Average time from dispatch to arrival on scene for highest priority calls (2) | 3:33 | 4:07 | 4:15 | 4:35 | 4:20 | 4:55 | 4:57 | 6.9 | 7.2 | 7.3 |
| Number of homicides per 100,000 population | 5.3 | 6.3 | 7.4 | 6.2 | 4.7 | 6.6 | 6.2 | 7.9 | 4.9 | 5.1 |
| **Public Works, Transportation, and Commerce** | | | | | | | | | | |
| General Services Agency - Public Works | | | | | | | | | | |
| Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good | N/A | 52% | N/A | N/A | N/A | 54% | N/A | 51% | N/A | N/A |
| Number of blocks of City streets repaved | 312 | 427 | 346 | 521 | 323 | 474 | 721 | 704 | 608 | 664 |
| Municipal Transportation Agency | | | | | | | | | | |
| Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) | N/A | 3.55 | 3.02 | 3.38 | N/A | N/A | N/A | N/A | N/A | N/A |
| Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points | 73.5% | 72.9% | 61.9% | 59.3% | 58.8% | 56.1% | 59.9% | 57.3% | 56.5% | 55.2% |
| Percentage of scheduled service hours delivered | 96.6% | 96.2% | 97.5% | 97.6% | 90.7% | 97.0% | 99.0% | 98.9% | 97.5% | 94.3% |
| Airport | | | | | | | | | | |
| Percent change in air passenger volume | 4.8% | 5.3% | 8.0% | 4.0% | 3.2% | 4.5% | 6.7% | 4.9% | 7.0% | -0.1% |
| **Human Welfare and Neighborhood Development** | | | | | | | | | | |
| Environment | | | | | | | | | | |
| Percentage of total solid waste materials diverted in a calendar year | 77% | 78% | 80% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Culture and Recreation** | | | | | | | | | | |
| Recreation and Park | | | | | | | | | | |
| Citywide percentage of park maintenance standards met for all parks inspected | 91% | 90% | 91% | 91% | 91% | 85% | 87% | 89% | 89% | N/A |
| Public Library | | | | | | | | | | |
| Percentage of San Franciscans who rate the quality of library staff assistance as good or very good (3) | N/A | 79% | N/A | 85% | N/A | 92% | 8.30 | 7.30 | 8.30 | 8.70 |
| Circulation of materials at San Francisco libraries | 10,849,582 | 10,679,061 | 10,971,974 | 10,587,213 | 10,844,953 | 10,684,760 | 10,778,428 | 10,814,015 | 11,092,406 | 11,730,624 |
| Asian and Fine Arts Museums | | | | | | | | | | |
| Number of visitors to City-owned art museums | 2,599,322 | 2,426,861 | 1,779,573 | 1,865,259 | 2,042,135 | 1,712,076 | 1,830,284 | 1,730,378 | 1,678,682 | 1,601,223 |

Source: Controller, City and County of San Francisco

Notes:
(1) FY 2020 data is not available
(2) FY 2010 through FY 2016 reflects average time. FY2017 through FY2019 reflects , in a decimal format, the time from the receipt of a 911 call to the officer's arrival time.
(3) FY 2010 through FY 2015 is based on percentage of San Franciscans. FY2016 through FY2019 is based on a scale of 1 to 10.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

## CITY AND COUNTY OF SAN FRANCISCO

### CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Police protection (1) | | | | | | | | | | |
| Number of stations | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Number of police officers | 2,288 | 2,243 | 2,164 | 2,130 | 2,203 | 2,332 | 2,315 | 2,292 | 2,291 | 2,267 |
| Fire protection (2) | | | | | | | | | | |
| Number of stations | 46 | 46 | 46 | 46 | 47 | 47 | 47 | 47 | 47 | 47 |
| Number of firefighters | 778 | 718 | 817 | 896 | 907 | 995 | 1,029 | 1,044 | 1,040 | 1,024 |
| Public works | | | | | | | | | | |
| Miles of street (3) | 1,317 | 1,315 | 1,315 | 1,299 | 1,287 | 1,287 | 1,287 | 1,287 | 1,304 | 1,372 |
| Number of streetlights (4) | 44,530 | 44,594 | 44,655 | 44,656 | 44,907 | 44,498 | 44,686 | 44,891 | 44,832 | 44,631 |
| Water (4) | | | | | | | | | | |
| Number of services | 173,033 | 173,454 | 173,744 | 173,970 | 174,111 | 174,083 | 174,394 | 175,054 | 175,805 | 176,379 |
| Average daily consumption (million gallons) | 213.6 | 212.0 | 215.1 | 217 | 190 | 171 | 175 | 190.4 | 184.5 | 190.9 |
| Miles of water mains | 1,473 | 1,488 | 1,488 | 1,488 | 1,499 | 1,489 | 1,488 | 1,489 | 1,719 | 1,719 |
| Sewers (4) | | | | | | | | | | |
| Miles of collecting sewers and transport/storage sewers | 1,010 | 976 | 1010 | 1,010 | 1,010 | 1,010 | 1010 | 1010 | 1010 | 1,123 |
| Recreation and cultures | | | | | | | | | | |
| Number of parks (5) | 220 | 220 | 221 | 221 | 220 | 220 | 220 | 220 | 220 | 221 |
| Number of libraries (6) | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Number of library volumes (million) (6) | 3.5 | 3.6 | 3.5 | 3.6 | 3.6 | 3.8 | 3.9 | 3.7 | 3.5 | 3.9 |
| Public school education (7) | | | | | | | | | | |
| Attendance centers | 115 | 115 | 115 | 116 | 116 | 117 | 117 | 117 | 117 | 122 |
| Number of classrooms | 2,797 | 2,797 | 2,877 | 3,135 | 3,160 | 3,219 | 3,219 | 3,219 | 3,216 | 3,216 |
| Number of teachers, full-time equivalent | 3,132 | 3,245 | 3,129 | 3,129 | 3,281 | 3,339 | 3,272 | 3,196 | 3,886 | 3,518 |
| Number of students | 55,571 | 56,310 | 56,970 | 57,620 | 58,414 | 58,865 | 60,133 | 60,263 | 60,390 | 61,031 |

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco. Combining miles of collecting and transport/storage sewers
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District



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## APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement, the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, the Third Supplement to Trust Agreement, the Fourth Supplement to Trust Agreement, the Fifth Supplement to Trust Agreement, the Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease, the Fourth Supplement to Project Lease, the Fifth Supplement to Project Lease, the Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, the Third Supplement to Property Lease, the Fourth Supplement to Property Lease and the Fifth Supplement to Property Lease. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms not defined in the Official Statement have the meanings set forth in the Trust Agreement.

### DEFINITIONS OF CERTAIN TERMS

"2009A Certificates" means City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2009B Certificates" means City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2010A Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2010A.

"2012A Certificates" means City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2019-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2020-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2012A Reserve Account" means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2012A Certificates.

"2021A Certificates" means City and County of San Francisco Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to the Trust Agreement (which includes the 2012A Certificates, the 2019-R1 Certificates, the 2020-R1 Certificates and the 2021A Certificates).

"Additional Rental" means the amounts specified as such in the Project Lease.

"Base Rental" means the amounts specified as such in the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, and any amounts as may be specified in a supplement to the Project Lease in connection with Additional Certificates, but does not include Additional Rental.

"Certificates" means the 2009A Certificates and all Additional Certificates under the Trust Agreement.

"Defeasance Securities" means

(i) Government Obligations and

(ii) pre-refunded fixed interest rate municipal obligations meeting the following conditions:

(a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash and/or Government Obligations;

(c) the principal of and interest on the Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee;

(e) the Government Obligations are not available to satisfy any other claims, including those of or against the trustee or escrow agent; and

(f) the municipal obligations are rated AAA by S&P and Aaa by Moody's.

"Facilities" means the improvements, structures and fixtures related thereto and located on the Site, together with all other works, property or structures located from time to time on the Site. The Facilities will initially be the Link Building and the East Residence on the Site.

"Government Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein

(i) a bank or trust company acts as custodian and holds the underlying Government Obligations;

(ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and

(iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the

Trustee, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and pre-refunded municipal obligations rated in the highest rating category by Moody's and S&P.

"Leased Property" means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Project Lease.

"Permitted Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration - Participation certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") - guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration - Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the full faith and credit of the United States of America;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(vi) Federal Farm Credit System - Consolidated system-wide bonds and notes; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the non-full faith and credit of the United States of America;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G or AAAm and by Moody's of Aaa;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit are required to be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have one of the two highest short-term letter and numerical ratings, at the time of purchase, of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by FDIC;

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates;

(h) Commercial paper of "prime" quality rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;

(i) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated, at the time of purchase, A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) above, which, exclusive of accrued interest, are required to be maintained at least 100% of par. In addition, repurchase agreements are required to meet the following criteria: (i) the third party (who is not permitted to be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels requires liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(1) Defeasance Securities described in clause (ii) of the definition thereof;

(m) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, including pre-refunded municipal obligations;

(n) The Local Agency Investment Fund administered by the State of California; and

(o) Any investment, with confirmation from the Rating Agencies that the ratings on the Certificates will not be lowered as a result of such investment.

In connection with the purchase of any Permitted Investment, the City may enter into agreements, including forward purchase agreements, with the seller thereof.

"Prior Parity Certificates" means the 2012A Certificates, the 2019-R1 Certificates and the 2020-R1 Certificates.

"Project" means the health care, assisted living and/or other type of continuing care facility or facilities and related improvements and equipment to be financed with the 2009A Certificates, and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Reserve Requirement" means, for the 2012A Certificates, as of any date of calculation, the least of (i) the maximum annual principal and interest payable with respect to the 2012A Certificates in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest payable with respect to the 2012A Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the 2012A Certificates or (iii) 10% of the principal amount of 2012A Certificates originally executed and delivered. For any Certificates other than the 2012A Certificates, including the 2021A Certificates, the "Reserve Requirement" means (i) zero dollars ($0.00) or (ii) such greater amount as may be designated in a supplement to the Original Trust Agreement executed in connection with the execution and delivery of such series of Certificates. The Reserve Requirement for the 2021A Certificates, as designated in the Fifth Supplement to Trust Agreement, is $5,872,650.

"Site" means the real property described in the Project Lease, including any real property substituted therefor or added thereto pursuant to the Project Lease, but excluding real property that has been released or for which new real property has been substituted in accordance with the Project Lease.

## TRUST AGREEMENT

***Although certain provisions of the Trust Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.***

Authorization and Designation

The Trustee is authorized and directed under the Trust Agreement to execute and deliver the 2009A Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the right to receive Base Rental payments under the Project Lease, as more particularly described therein, in the Trust Agreement and in the Certificates.

Eminent Domain

If the Leased Property or any portion thereof is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the provisions set forth in the Project Lease pertaining to eminent domain will apply. Notwithstanding the provisions of the Project Lease, the City, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, is to notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates prepaid. The proceeds of any condemnation award are to be deposited as soon as possible with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, are required to be applied to prepay Certificates in accordance with the Trust Agreement or applied to the cost of replacement of the Leased Property, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely upon any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after the Leased Property has been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the prepayment, or provision for the prepayment, of Certificates as required under the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative to such effect, are required to be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under the Project Lease in the then-current Project Lease Year or any subsequent Project Lease Year, are required to be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence it is to so notify the Trustee in writing, and then any excess amounts are required to be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners are required to be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City’s right to the use and possession of the Leased Property and will not result in an abatement of Base Rental payable by the City under the Project Lease, upon written direction of the City such proceeds are required to be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited, if there is first delivered to the Trustee a written certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project Lease Year, are required to be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts are required to be transferred to the Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of the Leased Property has been affected by such title defect, and if the City certifies in writing that such title defect will result in an abatement of Base Rental payable by the City under the Project Lease, then upon written direction of the City either (i) the Trustee on behalf of the City is required to use the insurance proceeds to remove the title defect, or (ii) the Trustee, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, is required to deposit such proceeds in the Base Rental Fund, and such proceeds are required to be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Trust Agreement are required to be paid to the City to be used for any lawful purpose.

Amendments to Trust Agreement

The Trust Agreement may be amended in writing by agreement between the parties thereto, but no such amendment will become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing description of the amendment provision of the Trust Agreement, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of a City Representative and the Trustee, but only for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement,

(a) in regard to questions arising under the Trust Agreement which the City and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which does not materially adversely affect the interests of the Owners of the Certificates then Outstanding,

(b) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates,

(c) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect,

(d) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or

(e) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding;

provided that the City and the Trustee may rely, in entering into any such amendment or modification thereof, upon the opinion of Independent Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this provision of the Trust Agreement have been met with respect to such amendment or modification.

No amendment to the Trust Agreement is permitted to impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. No such amendment or supplement to the Trust Agreement is permitted to (1) extend the payment date of any Certificate or reduce the rate of interest with respect thereto or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment or any supplement to the Trust Agreement, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the section of the Trust Agreement pertaining to Amendments to the Trust Agreement, without the prior written consent of the Owners of all Certificates then Outstanding.

Amendments to Property Lease or Project Lease

The Property Lease or the Project Lease may be amended in writing by agreement between the parties thereto, with the written consent of the Trustee, but no such amendment will become effective as to the Owners of the Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing description of the amendment provisions of the Property Lease and the Project Lease, the Property Lease, the Project Lease and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners, upon the written agreement between the respective parties thereto, but only

(a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Property Lease or the Project Lease,

(b) in regard to questions arising under the Property Lease or the Project Lease, which the City and the Trustee deem necessary or desirable and not inconsistent with the terms thereof and which do not materially adversely affect the interests of the Owners of the Certificates then Outstanding,

(c) to modify or amend the description of the Leased Property to release from the Property Lease or the Project Lease any portion thereof or to add or substitute other property and/or improvements for the Leased Property or any portion thereof in accordance with the Project Lease,

(d) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or

(e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the affected Owners;

provided that the City and the Trustee may request and rely, in entering into any such amendment or modification thereof or giving its consent thereto, upon the opinion of Independent Counsel (which opinion may rely upon the certificates or opinions of other experts, consultants or advisors) stating that the requirements of this provision of the Property Lease or the Project Lease, as applicable, have been met with respect to such amendment or modification.

Notwithstanding anything in the Trust Agreement to the contrary, no amendment to the Property Lease or the Project Lease for the purpose of adding, substituting or releasing property and/or improvements as set forth in clause (c) above will be effective unless and until the City has satisfied the requirements set forth in the Project Lease.

Consent of Owners

If the City should desire to obtain any consent in writing of Owners, the governing body of the City may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed to therein, is required to be mailed by first-class mail, postage paid, to each Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent will not affect the validity of the proceedings for the obtaining of such consent. Any such written consent will be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as hereinafter described.

After the Owners of at least a majority of the aggregate principal amount of the Certificates then Outstanding have consented in writing, the governing body of the City is required to adopt a resolution accepting such consents and such resolution will constitute complete evidence of the consent of Owners under the Trust Agreement.

Notice specifying the amendment that has received the consent of Owners as required by the Trust Agreement is to be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each Owner at such Owner's address as it appears on the

Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein will not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

City to Perform Property Lease and Project Lease

The City, in the Property Lease and the Project Lease, covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Property Lease and the Project Lease.

Compliance with Trust Agreement

The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the City will not suffer or permit any default by it to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by it.

Performance

The City is to faithfully observe all covenants and other provisions contained in the Financing Documents to which it is a party.

Prosecution and Defense of Suits

The City is to promptly take such action as may be necessary to cure any defect in the title to the Leased Property or any part thereof, whether now existing or hereafter occurring, and is to prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances

The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming to the Owners the rights and benefits provided in the Trust Agreement.

Continuing Disclosure

The City has covenanted under the Project Lease that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an Event of Default; however, the Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, is required to) or any Certificate holder or Beneficial Owner may, take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Events of Default

Any one or more of the following events are an “Event of Default” under the Trust Agreement: the City defaults under the Project Lease by failing to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Base Rental provisions of the Project Lease, by the related Interest Payment Date; or the City breaches any other provision of the Project Lease or fails to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement, other than such failure as may constitute an Event of Default under the Trust Agreement pertaining to the failure to pay Base Rental, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate does not constitute an Event of Default under the Trust Agreement; provided, further, however, if the failure stated in the notice cannot be corrected within such 60-day period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Remedies on Default

Upon the occurrence and continuance of any Event of Default specified in the Trust Agreement, pertaining to the failure to deposit with the Trustee any Base Rental payment required to be so deposited, the Trustee is to proceed, or upon the occurrence and continuance of any other Event of Default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding, is required to proceed) to exercise the remedies set forth in the Project Lease to the extent an Event of Default has occurred under the Project Lease.

Notice of Events of Default

If an Event of Default occurs under the Trust Agreement, the Trustee is required to give notice, at the expense of the City of such Event of Default to the Owners. Such notice is to state that an Event of Default has occurred and is to provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. The notice provided for in the Trust Agreement is required to be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

No Remedy Exclusive

No remedy conferred upon or reserved to the Trustee under the Trust Agreement is intended to be exclusive and every such remedy will be cumulative and in addition to every other remedy given under the Trust Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default is to be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it will not be necessary to give any notice other than such notice as may be required in the Trust Agreement or by law.

Waiver; No Additional Waiver Implied by One Waiver

The Trustee may in its discretion waive any Event of Default and its consequences and is to also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest with respect to any Certificate is to be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the City and the Owners are to be restored to their former positions and rights under the Trust Agreement, respectively, but such waiver is to be limited to the particular breach so waived and is not to be deemed to waive any other breach under the Trust Agreement.

Action by Owners

In the event the Trustee fails to take any action to eliminate an Event of Default under the Trust Agreement, the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding may institute suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Trust Agreement, but only if such Owners have first made written request of the Trustee after the right to exercise such powers or right of action has arisen, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Certificate or to institute suit for the enforcement of any such payment on or after such payments become due is not to be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and to pay all principal of and interest then due and unpaid with respect to all Outstanding Certificates, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Trust Agreement or the Project Lease are required to be deposited by the Trustee into the Base Rental Fund and used first to pay interest with respect to the Certificates and then to pay the principal with respect to the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited are required to be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue payments of principal, the amounts deposited are required to be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Trust Agreement are required to be applied as follows in the order of priority indicated:

(i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; and (ii) any remaining amounts are required to be deposited into and retained in the Base Rental Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates thereof.

Defeasance

(a) If all Certificates are paid and discharged as provided in the Trust Agreement, then all obligations of the Trustee and the City under the Trust Agreement with respect to all Certificates will cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to the Trust Agreement, (ii) the obligation of the City to pay the amounts owing to the Trustee under the Trust Agreement, and (iii) the obligation of the City to comply with provisions relating to the Rebate Fund and tax covenants in the Trust Agreement. Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the City, will be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative and any excess will be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination will be deemed no longer Outstanding under the Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations) which, together with the amounts then on deposit in the Base Rental Fund and the Reserve Fund and dedicated to this purpose is fully sufficient to pay on the Certificate Payment Date or earlier prepayment date thereof all principal of, premium, if any, and interest due with respect thereto; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities in such amount as in the written report of a certified public accountant or other financial consultant will, together with the interest to accrue on such Defeasance Securities without the need for reinvestment, be fully sufficient to pay when due all principal, premium, if any, and interest with respect to such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates have not been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit as described in clauses (a)(ii) or (a)(iii) above will be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate will have been previously given in accordance with the Trust Agreement to the Owners thereof or, in the event such Certificate is not by its terms subject to prepayment within the next 45 days of making the deposit as described in clauses (ii) and (iii) of subsection (a) above, a City Representative will have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owners of such Certificate as soon as practicable stating that the deposit required as described in clauses (ii) and (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such prepayment date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the Certificate Payment Date of such Certificates.

(c) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the City, will be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

## FIRST SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2009B Certificates

The Trustee is authorized and directed under the First Supplement to Trust Agreement to execute and deliver the 2009B Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates.

## SECOND SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2012A Certificates

The Trustee is authorized and directed under the Second Supplement to Trust Agreement to execute and deliver the 2012A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates and the 2009B Certificates.

## THIRD SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2019-R1 Certificates

The Trustee is authorized and directed under the Third Supplement to Trust Agreement to execute and deliver the 2019-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2012A Certificates. A portion of the proceeds of the 2019-R1 Certificates was used, together with other funds of the City, to prepay and retire the 2009A Certificates and the 2009B Certificates.

## FOURTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2020-R1 Certificates

The Trustee is authorized and directed under the Fourth Supplement to Trust Agreement to execute and deliver the 2020-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding 2012A Certificates and 2019-R1 Certificates.

## FIFTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2021A Certificates

The Trustee is authorized and directed under the Fifth Supplement to Trust Agreement to execute and deliver the 2021A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding Prior Parity Certificates.

## THE PROJECT LEASE

***Although certain provisions of the Project Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Project Lease.***

Project Lease Term; Transfer of Title to City

Pursuant to the Project Lease, the Trustee leases the Leased Property to the City, and the City leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided therein for the right to use and occupy the Leased Property, all on the terms and conditions set forth therein.

The term of the Project Lease began on May 27, 2009, and will end on the earliest of

(a) April 1, 2041 or

(b) at such earlier date as the Certificates and all other amounts due under the Project Lease and under the Trust Agreement have been paid or provision for their payment have been made in accordance with the Trust Agreement, or

(c) the date of termination of the Project Lease due to casualty or condemnation in accordance with the terms of the Project Lease;

provided, however, that, to the extent permitted by law, if Base Rental has been abated in any year in accordance with the Project Lease or has otherwise gone unpaid in whole or in part, the term of the Project

Lease will end on the earlier of the date falling 10 years after the date set forth in subparagraph (a) above, or April 1, 2051, or the date on which no Certificates remain Outstanding and all Additional Rental has been paid.

Upon the termination of the Project Lease (other than as provided in the sections of the Project Lease relating to Eminent Domain or Default by the City), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, will be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of the Project Lease, free and clear of any interest of the Trustee. Upon such termination, the Trustee will execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Rental Payments

The City agrees, subject to the terms of the Project Lease, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Project Lease Year. In satisfaction of its obligations under the Project Lease, the City is required to pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter described, such amounts constituting the aggregate rent payable under the Project Lease.

Budget

The City covenants under the Project Lease to take such action as may be necessary to include all Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to the rental abatement provisions of the Project Lease. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and are to be construed as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit

Amounts necessary to pay Base Rental are required to be deposited by the City on the dates set forth in the Project Lease, in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in the provisions of the Project Lease regarding rental abatement, any amount necessary to pay any Base Rental or portion thereof that is not so deposited is to remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee under the Project Lease, the City is required to make all Rental Payments when due and is not to withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified under the Project Lease is absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the applicable provisions of the Project Lease. Amounts required to be deposited with the Trustee pursuant to the Project Lease on any date set forth in the Project Lease are to be reduced as permitted in the Project Lease.

Additional Rental

In addition to the Base Rental set forth in the Project Lease, the City agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Trustee or the Owners therein or in the Project Lease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of the Project Lease;

(iii) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(iv) Amounts required to be deposited in the Rebate Fund in accordance with the Tax Certificate;

(v) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of the Project Lease or any assignment thereof or of the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

Amounts constituting Additional Rental payable under the Project Lease will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

Rental Abatement

Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of the Project Lease or to the Trustee for payments in respect of the Certificates, Rental Payments due under the Project Lease are to be subject to abatement in accordance with the Project Lease during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, non-completion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City.

The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement will continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, the Project Lease is to continue in full force and effect, except as set forth in the Project Lease under sections pertaining to eminent domain and application of insurance proceeds. Notwithstanding the foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the Project.

Triple Net Lease

The Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for therein are to be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Replacement, Maintenance and Repairs

The City is to, at its own expense and as determined and specified by the Director of Property, during the Project Lease Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City is to replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City will not be required to repair or replace any such portion of the Leased Property pursuant to the Project Lease if there will be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due thereunder and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to the Project Lease in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest with respect to all Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement, to the extent it is due and payable in such Project Lease Year.

The City will provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments herein described, the City is entitled to use and occupy the Leased Property and the Trustee has no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Project Lease Term. The Trustee will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Property. The City expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City will keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable pro forma title policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to the Project Lease or any property is added to the Leased Property in connection with Additional Certificates pursuant to the Trust Agreement, including the exceptions listed on Schedule B to the applicable pro forma title policy, (iii) any supplements or amendments to the Project Lease or Property Lease which are entered into pursuant to the terms thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with the Project Lease and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property under the Project Lease (collectively, the "Permitted Encumbrances").

Taxes, Other Governmental Charges and Utility Charges

The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City hereby agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Project Lease is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the opinion of Independent Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the Leased Property or its rights or interests under the Project Lease or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges will constitute Additional Rental under the Project Lease and will be payable directly to the entity assessing such taxes or charges.

Insurance

The City is to maintain or cause to be maintained, throughout the Project Lease Term (but during the period of construction of the Facilities only the insurance described in paragraphs (i) and (vi) below is to be required and may be provided by the contractor under the construction contract for the Facilities):

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Such liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). Said insurance is to, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Commencing on the date of Final Completion of the Facilities, rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount to be adjusted annually on or prior to October 1 of each year, to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance will not be subject to any deductible.

(iv) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment.

(v) Builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Facilities, which insurance is to be outstanding until Final Completion of the Facilities.

Notwithstanding anything in the Project Lease to the contrary, the City has the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the Project Lease, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part.

The City is required to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, insuring a leasehold interest in the Leased Property in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates.

Liens

The City promptly will pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and will cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City will forthwith pay and discharge such judgment or lien, or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances

The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation thereof. The cost, if any, of such observance and compliance will be borne by the City, and the Trustee will not be liable therefor. The City agrees further to place, keep, use, maintain and operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Performance

The City will faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the City agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate (as defined in the Trust Agreement), as such Tax Certificate may be amended from time to time. .

Continuing Disclosure

The City covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an event of default under the Project Lease; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25 %) of the aggregate principal amount of the Outstanding Certificates, is to) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Acquisition, Construction and Renovation of the Facilities

The City will use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Facilities will be substantially completed in accordance with the aforesaid plans and specifications. The City will cause the acquisition, construction, renovation, installation or improvement to the Facilities to be completed in accordance with any applicable requirements of governmental authorities and law.

Eminent Domain

If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, is taken under the power of eminent domain, then the Project Lease terminates as of the later of the day possession is so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed thereunder. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments again begin to accrue with respect thereto upon replacement of the Leased Property.

If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the Project Lease is to continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by the Project Lease. The City and the Trustee waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking is required to be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the City elects, pursuant to the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Assignment

The City is not permitted to sell, mortgage, pledge, assign or transfer any interest of the City in the Project Lease or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession will be, and is to specifically state that it is, subject and subordinate in all respects to the Project Lease. Subject to the limitations set forth in the Project Lease, the City will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Project Lease, notwithstanding any granting of concessions which may be made. Nothing contained in the Project Lease is to be construed to relieve the City of its primary obligation to pay Rental Payments as provided in the Project Lease or to relieve the City of any other obligations contained therein. In no event is the City to sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments thereunder.

Additions and Improvements; Removal

The City will have the right during the Project Lease Term to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property is to remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed on any portion of the Leased Property by any sublessee or licensee of the City is to be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement is not to be inconsistent with the Project Lease.

Right of Entry

Representatives of the Trustee, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under the Project Lease, or (iii) for all other lawful purposes.

Quiet Enjoyment

The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements contained in the Project Lease, at all times during the Project Lease Term, will peaceably and quietly have, hold, and enjoy the Leased Property.

Indemnification and Hold Harmless Agreement

To the extent permitted by law, the City hereby agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates. The provisions of the Project Lease described in this paragraph will survive the termination of the Project Lease.

Events of Default

The following are events of default under the Trust Agreement: (i) the City fails to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the applicable Project Lease provisions by the related Interest Payment Date; (ii) the City fails to pay any item of Additional Rental as and when the same become due and payable pursuant to the Project Lease, or (iii) the City breaches any other terms, covenants or conditions contained in the Project Lease, in the Property Lease or in the Trust Agreement, and fails to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, fails to institute corrective action within such 60-day period and diligently pursue the same to completion; provided, however, that failure to comply with the Continuing Disclosure Certificate will not constitute an event of default under the Project Lease.

Remedies on Default

The Trustee has the right, at its option, without any further demand or notice

(i) to reenter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, relet the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, in which event the rents received on such reletting are required to be applied as set forth in the Trust Agreement; provided, that if a sufficient sum is not realized to pay such sums and other charges then the City is required to pay to the Trustee any net deficiency existing on the date when the Base Rental or Additional Rental is due under the Project Lease; provided, however, that such reentry and reletting are to be done only with the consent of the City, which consent is irrevocably given; or

(ii) in lieu of the above, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due under the Project Lease pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided therein.

Any reentry pursuant to the Project Lease is to be allowed by the City without hindrance, and the Trustee will not be liable in damages for any reentry or be guilty of trespass. The Trustee or any assignee of the rights of the Trustee thereunder is not to exercise its remedies thereunder so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax.

Notwithstanding any other provision of the Project Lease or the Trust Agreement, (i) in no event is the Trustee to have the right to accelerate the payment of any Base Rental under the Project Lease and (ii) the foregoing remedies to reenter and relet the Leased Property are to be subject to applicable laws regarding the use of such property (including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or state grants).

Each and every remedy of the Trustee or any assignee of the rights of the Trustee under the Project Lease is cumulative and the exercise of one remedy will not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly limits the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

All damages and other payments received by the Trustee pursuant to the provisions of the Project Lease pertaining to default are required to be applied in the manner set forth in the Trust Agreement.

Addition, Release and Substitution

If no Project Lease Event of Default has occurred and is continuing thereunder, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City has delivered to the Trustee and to the Rating Agencies all of the following:

(i) Executed copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Project Lease Year or in any subsequent Project Lease Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of the Project Lease, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, is to insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under the Project Lease;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under the Project Lease or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by the Project Lease, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of the Project Lease, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

Amendment

The Project Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates will be substantially in the form of the Project Lease.

Excess Payments

Notwithstanding anything contained in the Project Lease or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due under the Project Lease and under the Trust Agreement, such excess represents the City's equity interest in the Leased Property and is all to be paid to the City.

## FIRST SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2009B Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2009B Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2009B Certificates.

## SECOND SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2012A Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2012A Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2012A Certificates.

## THIRD SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2019-R1 Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 2019-R1 Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2019-R1 Certificates.

## FOURTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2020-R1 Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the additional Leased Property identified in Exhibit A-1 attached to the Fourth Supplemental Project Lease (which is the property generally known as the San Bruno Complex, 1 Moreland Drive, San Bruno, California 94006), which policy, when combined with the policy of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2020-R1 Certificates and then-outstanding aggregate principal amounts of the 2012A Certificates and the 2019-R1 Certificates, inclusive, showing a leasehold interest in such additional Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2020-R1 Certificates and such outstanding 2012A Certificates and 2019-R1 Certificates.

## FIFTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2021A Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the additional Leased Property identified in Exhibit A-1 attached to the Fifth Supplemental Project Lease (which is the property generally known as South Residence building, located on a portion of the real property of the campus of Laguna Honda Hospital, 375 Laguna Honda Boulevard in the City, including all rights of access reasonably necessary to enter, leave and make reasonable use of such building), which policy, when combined with the policies of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates and the 2020-R1 Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2021A Certificates and then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, showing a leasehold interest in such additional Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 2021A Certificates and such outstanding Prior Parity Certificates.

## THE PROPERTY LEASE

Although certain provisions of the Property Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Property Lease.

Lease of Leased Property

The City leases to the Trustee the real property located in San Francisco, California and described in Exhibit A attached to the Property Lease (the "Site"), together with all buildings and improvements then situated or thereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms thereof and (ii) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Trustee may require in order to fulfill its obligations under the Property Lease and under the Project Lease.

Assignment and Project Lease

As long as the Project Lease is in effect and there has been no event of default under the Project Lease, the Trustee is not to assign, mortgage, hypothecate or otherwise encumber the Property Lease or any rights thereunder or the leasehold created thereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City expressly approves and consents to the Project Lease and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments payable thereunder.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time.

Quiet Enjoyment

The Trustee at all times during the term of the Property Lease will peaceably and quietly have, hold and enjoy all of the Leased Property.

Default

In the event that the Trustee or its assignee is in default in the performance of any obligation on its part to be performed under the terms of the Property Lease, the City may exercise any and all remedies granted by law, except that no merger of the Property Lease and of the Project Lease will be deemed to occur as a result thereof; provided, however, that the City has no power to terminate the Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee duly performs the terms and conditions of the Property Lease, such assignee is be deemed to be and becomes the tenant of the City under the Property Lease, entitled to all of the rights and privileges granted under any such assignment.

**FIRST SUPPLEMENT TO PROPERTY LEASE**

Rent

Under the Original Property Lease, as additional consideration to the City, the parties agreed that, upon a request made by the City to the Trustee within twenty-four (24) months of the date thereof, the parties would amend the Original Property Lease to increase the rent payable by the Trustee thereunder by an amount specified by the City not to exceed $42,000,000, and negotiate in good faith in connection with an amendment to the Original Property Lease to provide for additional Base Rental payments by the City thereunder. The City and the Trustee agreed in the First Supplement to Property Lease that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2009B Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the First Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Trust Agreement.

**SECOND SUPPLEMENT TO PROPERTY LEASE**

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agreed that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2012A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Second Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Original Trust Agreement.

**THIRD SUPPLEMENT TO PROPERTY LEASE**

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2019-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Third Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Third Supplement to Trust Agreement.

**FOURTH SUPPLEMENT TO PROPERTY LEASE**

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2020-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the

Fourth Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Fourth Supplement to Trust Agreement.

## FIFTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2021A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Fifth Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Fifth Supplement to Trust Agreement.

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$76,020,000**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 2021A**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of May 1, 2009 (the "Original Trust Agreement"), as previously supplemented and amended and as supplemented and amended by the Fifth Supplement to Trust Agreement, dated as of May 1, 2021 (as supplemented and amended, the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 8.10 of the Original Trust Agreement and Section 4.8 of that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the Fifth Supplement to Project Lease, dated as of May 1, 2021 (as supplemented and amended, the "Project Lease"), by and between the Trustee and the City, the City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

"Annual Report" will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" will mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" will mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" will mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" will mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 27, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

**SECTION 4. Content of Annual Reports.** The City's Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general-purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Listed Events.**

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Remedies.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure

Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

**SECTION 11. Beneficiaries.** This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and will create no rights in any other person or entity.

**SECTION 12. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: May 12, 2021

**CITY AND COUNTY OF SAN FRANCISCO**

________________________________________
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ________________________________
Deputy City Attorney

**CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A**

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of City: | CITY AND COUNTY OF SAN FRANCISCO |
| Name of Issue: | CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION SERIES 2021A (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) |
| Date of Delivery: | MAY 12, 2021 |

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by _____________.

Dated: _______________

CITY AND COUNTY OF SAN FRANCISCO

By: [to be signed only if filed]
Title: ______________________________

## APPENDIX E

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in numbered paragraphs 1-10 of this APPENDIX E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Certificates, "Issuer" means the City, and "Agent" means the Trustee.*

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

**APPENDIX F**

**PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS**

May ___, 2021

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $76,020,000 City and County of San Francisco Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects)

We have acted as co-special counsel to our client the City and County of San Francisco (the "City") in connection with the execution and delivery by the City of the $76,020,000 City and County of San Francisco Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects) (the "Certificates"), evidencing undivided and proportionate interests of the owners of the Certificates in certain base rental payments (the "Base Rental Payments") to be made by the City pursuant to that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended (the "Original Project Lease"), as further supplemented and amended by that certain Fifth Supplement to Project Lease, dated as of May 1, 2021 (the "Fifth Supplement to Project Lease" and, together with the Original Project Lease, as previously supplemented and amended, the "Project Lease"), by and between U.S. Bank National Association, as lessor, and the City, as lessee. In that regard, we have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City in connection with the authorization, execution and delivery by the City of the Project Lease. We have also reviewed that certain Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended (the "Original Trust Agreement"), as further supplemented and amended by that certain Fifth Supplement to Trust Agreement, dated as of May 1, 2021 (the "Fifth Supplement to Trust Agreement" and, together with the Original Trust Agreement, as supplemented and amended, the "Trust Agreement"), by and between U.S. Bank National Association, as trustee (the "Trustee"), and the City. Each capitalized term used but not defined herein shall have the meaning given thereto in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the Certificates, which Certificates are dated their date of delivery. The Certificates mature on the dates and in the amounts set forth in the Fifth Supplement to Trust Agreement, and interest due with respect to the Certificates is payable on the dates and at the rates per annum set forth in the Fifth Supplement to Trust Agreement.

In our capacity as co-special counsel, we have examined the transcript of proceedings relating to the issuance of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, a copy of the signed and authenticated Certificates and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. Each of the Project Lease, the Property Lease and the Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and legally binding agreement of the City enforceable against the City in accordance with its terms.

2. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Project Lease is a valid and binding obligation payable from the funds of the City lawfully available therefor, and the obligation of the City to make Base Rental Payments under the Project Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Base Rental Payment constituting interest with respect to the Certificates and received by the owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax.

4. The portion of each Base Rental Payment constituting interest with respect to the Certificates and received by the owners of the Certificates is also exempt from State of California personal income taxes.

We express no opinion as to the treatment for federal income tax purposes or State of California income tax purposes of amounts paid to owners of the Certificates in the event of termination of the Project Lease as the result of money not being appropriated to pay Base Rental Payments, and we express no opinion as to any other tax consequences regarding the Certificates.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions, which are subject to change, and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

We express no opinion herein regarding the priority of the lien on moneys held by the Trustee or other funds created by the Trust Agreement. We express no opinion herein with respect to the status or quality of title to, or any interest in, any of the property described in the Project Lease, or the accuracy or sufficiency of the description contained therein of any of that property, or the priority of, or the remedies available to enforce, any claim on or interest in any of that property.

In rendering those opinions with respect to treatment of the portion of each Base Rental Payment constituting interest with respect to the Certificates under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the City. Failure to comply with certain of those covenants subsequent to issuance of the Certificates may cause the portion of each Base Rental Payment constituting interest with respect to the Certificates paid to owners of the Certificates to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement, the Property Lease and the Project Lease are, and the opinions expressed above are qualified to the extent that they are, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are given only as of the time of its delivery, and we disclaim any obligation to revise or supplement this letter thereafter, including to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our engagement as co-special counsel in connection with the original issuance and delivery of the Certificates is concluded upon delivery of this letter.

Respectfully submitted,

# APPENDIX G

## CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER
## INVESTMENT POLICY

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**CITY AND COUNTY OF SAN FRANCISCO**
**OFFICE OF THE TREASURER & TAX COLLECTOR**

# INVESTMENT POLICY

Effective February 2018

## 1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

## 2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

## 3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## 4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

## 5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

## 6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

(1) Applicants who have changed firms;
(2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
(3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

## 7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4). The following policy shall govern unless a variance is specifically authorized by the Treasurer and reviewed by the Treasury Oversight Committee pursuant to Section 5.0.

## 7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 100% of the portfolio value | 100% | 100% | 5 years |

## 7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 100% of the portfolio value | 100% | 100% | 5 years |

## 7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 20% of the portfolio value | 5% | No Limit | 5 years |

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

## 7.4 Public Time Deposits (Term Certificates of Deposit)

The Treasurer's Office may invest in either:

1. Non-negotiable time deposits (Certificates of Deposit or CDs) that have FDIC or similar deposit insurance; or

2. Fully collateralized CDs in approved financial institutions.

The Treasurer's Office will invest in CDs and Time Deposits only with those firms having at least one branch office within the boundaries of the City and County of San Francisco. As required by Government Code Section 53649, the Treasurer's Office shall have a signed agreement with any depository accepting City funds.

For Public Time Deposits not employing deposit insurance (such as FDIC), the Treasurer's Office is authorized to accept two forms of collateral:

A. Deposit Collateral. Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by deposit insurance.

B. Letters of Credit Issued by the Federal Home Loan Bank of San Francisco. As authorized by Section 53651 (p) of the California Government Code, the Treasurer's Office may be accepted as collateral and shall conform to the requirements of Section 53651.6 of the California Government Coded include the following terms:

(1) The Administrator, as defined by Section 53630 (g) of the California Government Code, shall be the beneficiary of the letter of credit; and

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| No Limit | None | N/A | 13 months |

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

### 7.5 Negotiable Certificates of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 30% of the portfolio value | No Limit | N/A | 5 years |

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

### 7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 40% of the portfolio value | 30% | No Limit | 180 days |

Issuer Minimum Credit Rating: None

### 7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 25% of the portfolio value | 10% | None | 270 days |

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the highest ranking (irrespective of +/-) from at least one NRSRO.

### 7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 25% of the portfolio value | 10% | 5% | 24 months |

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

### 7.9 Repurchase Agreements

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third-party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

| Type of collateral | Allocation Maximum | Issuer Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| Government securities | No Limit | N/A | 1 year |
| Securities permitted by CA Government Code, Sections 53601 and 53635 | 10% | N/A | 1 year |

### 7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

### 7.11 Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

| Fund Type | Allocation Maximum | Issuer Limit Maximum | Percentage of Fund's Net Assets Maximum | Maturity/Term Maximum |
|---|---|---|---|---|
| Institutional Government | 20% of total Pool assets | N/A | 5% | N/A |

Issuer Minimum Credit Rating: Fund must be rated in the highest rating category from not less than two NRSROs .

### 7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

### 7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

| Allocation Maximum | Issuer Limit Maximum | Issue Limit Maximum | Maturity/Term Maximum |
|---|---|---|---|
| 30% | None | None | 5 years |

Issuer Minimum Credit Rating: Issuers must possess either a short-term credit rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

* Effective as of January 1, 2015, as consistent with State Law.

## 8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

## 9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

## 10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

## 11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

## 12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor; the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

## 13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

### 13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing, deferred deposit (payday-lending) businesses and organizations involved in financing, either directly or indirectly, the Dakota Access Pipeline or, as determined by the Treasurer, similar pipeline projects. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

### 13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

### 13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

## 14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

## APPENDIX

**Glossary**

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.
Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner
Joint Accounts (two or more persons) $250,000 per co-owner
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**
*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the $250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate.This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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CITY AND COUNTY OF SAN FRANCISCO • CERTIFICATES OF PARTICIPATION, SERIES 2021A (MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

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