NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:	**Moody's:**	**"Aa2"**
	S&P:	**"AA"**
	Fitch:	**"AA"**

(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Special Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, (among other matters), the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental payment paid by the City designated as and evidencing interest 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 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental payment constituting interest. See "TAX MATTERS" herein.

$412,355,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(MOSCONE CONVENTION CENTER EXPANSION PROJECT)
SERIES 2017B

evidencing proportionate interests of the Owners thereof in the right to receive Base Rental payments under a Project Lease 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 $412,355,000 City and County of San Francisco Certificates of Participation (Moscone Convention Center Expansion Project), Series 2017B (the "Certificates") will be sold to provide funds to: (i) retire certain commercial paper certificates of participation of the City and County of San Francisco (the "City"), the proceeds of which financed a portion of the costs of the acquisition, construction, renovation, reconstruction and equipping of improvements to the existing site and facilities of Moscone Center (as defined herein); (ii) finance or refinance the costs of certain capital improvements to the Moscone Center (as further described herein, the "Project"); (iii) fund capitalized interest payable with respect to the Certificates through April 1, 2018; (iv) fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (v) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2017 (the "Trust Agreement"), between the City and U.S. Bank National Association, as the Trustee and Project Trustee (as defined herein), 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 July 1, 2017 (the "Project Lease"), by and between the Project 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 SOURCES 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 land and facilities subject to the Project Lease (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 "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

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 evidenced and represented by 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, 2017. 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 their respective payment dates as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, 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."

CERTIFICATE PAYMENT SCHEDULE

(See inside cover)

The Certificates were sold by competitive sale on June 22, 2017, pursuant to the terms of an Official Notice of Sale, dated June 13, 2017. See "SALE OF THE CERTIFICATES" herein.

The Certificates are offered when, as and if executed and received by the initial purchasers, subject to the approval of the validity of the Project Lease by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, 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, Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about July 6, 2017.

Dated: June 22, 2017.

CERTIFICATE PAYMENT SCHEDULE

(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price/ Yield[2]	CUSIP[1] Suffix
2019	$9,805,000	5.00%	1.06%	V80
2020	10,295,000	5.00	1.18	V98
2021	10,810,000	5.00	1.26	W22
2022	11,355,000	5.00	1.40	W30
2023	11,920,000	5.00	1.54	W48
2024	12,515,000	5.00	1.67	W55
2025	13,140,000	5.00	1.82	W63
2026	13,800,000	5.00	2.02[(c)]	W71
2027	14,490,000	5.00	2.14[(c)]	W89
2028	15,215,000	5.00	2.28[(c)]	W97
2029	15,975,000	5.00	2.40[(c)]	X21
2030	16,775,000	4.00	2.77[(c)]	X39
2031	17,445,000	3.00	99.106	X47
2032	17,965,000	3.00	98.471	X54
2033	18,505,000	4.00	3.10[(c)]	X62
2034	19,245,000	3.25	99.868	X70
2035	19,870,000	4.00	3.21[(c)]	X88
2036	20,665,000	4.00	3.25[(c)]	X96
2037	21,495,000	4.00	3.26[(c)]	Y20
2038	22,355,000	4.00	3.28[(c)]	Y38

$98,715,000 4.00% Term Certificates due April 1, 2042 – Yield[2] 3.44%[(c)] CUSIP[1] 79765DY46

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1 CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

2 Reoffering prices/yields furnished by the Underwriters. The City takes no responsibility for the accuracy thereof.

(c) Yield calculated to the first optional redemption date of October 1, 2025 at par.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation 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.

The information set forth herein other than that provided by the City, although obtained from sources which are believed to be reliable, 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.

The City maintains a website. The information presented on such website 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.

This Official Statement is not to be construed as a contract with the 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 facts.

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.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

London Breed, *Board President, District 5*

Sandra Lee Fewer, *District 1*
Mark Farrell, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*

Norman Yee, *District 7*
Jeff Sheehy, *District 8*
Hillary Ronen, *District 9*
Malia Cohen, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Nadia Sesay, *Director of Public Finance*

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San Francisco, California

Co-Financial Advisor

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San Francisco, California

Montague DeRose and Associates, LLC
Walnut Creek, California

Disclosure Counsel
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San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

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OFFICIAL STATEMENT

$412,355,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(MOSCONE CONVENTION CENTER EXPANSION PROJECT)
SERIES 2017B

evidencing proportionate interests of the Owners thereof in the right to receive Base Rental payments under a Project Lease 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 $412,355,000 City and County of San Francisco Certificates of Participation (Moscone Convention Center Expansion Project), Series 2017B (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 – SUMMARY OF PROJECT LEASE." 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.

The City, exercising its Charter powers to convey and lease property for City purposes, conveys certain real property to the Project Trustee (as defined in "THE CERTIFICATES – Authority for Execution and Delivery") under the Property Lease in exchange for the Certificate proceeds and other consideration. The Project Trustee leases the Leased Property back to the City for the City's use under the Project Lease. The City will be obligated under the Project Lease to make Base Rental payments and Additional Rental payments (together, "Rental Payments") to the Project 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 consists of principal and interest components, and when received by the Project Trustee in each rental period, is deposited in trust for payment of the Certificates.

The Trustee issues the "certificates of participation" in the Project Lease, evidencing and representing proportional interests in the principal and interest components of Base Rental it receives from the City. Pursuant to the Trust Agreement, the Project Trustee will assign all of its rights, title and interest under the Property Lease and the Project Lease to the Trustee (see "THE CERTIFICATES – Authority for Execution and Delivery" herein). The Trustee will apply Base Rental it receives to pay principal and interest evidenced and represented by each Certificate when due according to the Trust Agreement, which governs the security and terms of payment of the Certificates. The money received from sale of the Certificates will be applied by the Trustee, at the City's direction, to (i) retire certain commercial paper certificates of participation of the City, the proceeds of which financed a portion of the costs of the acquisition, construction, renovation, reconstruction and equipping of improvements to the existing site and facilities of Moscone Center (as defined herein); (ii) finance or refinance the costs of certain capital improvements to the Moscone Center (as further described herein, the "Project"); (iii) fund capitalized interest payable with respect to the Certificates through April 1, 2018; (iv) fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (v) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT."

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" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Ordinance 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 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 such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

The City executed and delivered on June 14, 2017 the City and County of San Francisco Certificates of Participation (Hope SF), Series 2017A (Federally Taxable) (the "Hope SF Certificates") in an aggregate principal amount of approximately $28.3 million. Principal and interest evidenced and represented by the Hope SF Certificates will be payable from the general fund of the City. The Hope SF Certificates are not being offered pursuant to this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

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 wine country is about an hour's drive to the north. The City's population in 2016 was approximately 877,000.

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 retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education. The California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2016, approximately 25.2 million people visited the City and spent an estimated $9.0 billion during their visit, generating approximately $750 million in direct spending to the City from convention visitors.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for fiscal year 2015-16 was $95,815, and the unemployment rate was 3.4%. The San Francisco Unified School District operates 16 transitional kindergarten schools, 72 elementary and K-8 school sites, 12 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 46 State-funded preschool sites, and sponsors 13 independent charter schools. 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, the California Culinary Academy, 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 and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2015-16, SFO serviced approximately 51.4 million passengers and handled 451,501 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter 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, operated by the City, provides bus and streetcar service within the City. 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.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City to his current term on November 3, 2015. The City's adopted budget for fiscal years 2016-17 and 2017-18 totals $9.59 billion and $9.72 billion, respectively. The General Fund portion of each year's adopted budget is $4.86 billion in fiscal year 2016-17 and $5.09 billion in fiscal year 2017-18, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 31,342 full-time-equivalent employees at the end of fiscal year 2015-16. According to the Controller of the City (the "Controller"), the fiscal year 2016-17 total net assessed valuation of taxable property in the City is approximately $211.5 billion.

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, 2016."

RECENT DEVELOPMENTS

The information contained in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" was prepared by the City for inclusion in official statements relating to publicly offered securities of the City and updated as of May 22, 2017. The following information supplements and amends the information set forth in Appendix A as of the date of this Official Statement. Investors are advised to carefully consider the information presented below, together with other information presented in this Official Statement, in order to make an informed investment decision.

City's Proposed Budget. On June 1, 2017, the Mayor issued his Proposed Budget and Annual Appropriation Ordinance as of June 1, 2017 for Fiscal Year Ending June 30, 2018 and Fiscal Year Ending June 30, 2019 (the "Proposed Budget"). For fiscal year 2017-18, the Proposed Budget appropriates annual revenues, fund balance, transfers, and reserves of approximately $10.11 billion, of which the City's General Fund accounts for approximately $5.14 billion. For fiscal year 2018-19, the Proposed Budget appropriates revenues, fund balance, transfers and reserves of approximately $10.00 billion, of which the General Fund accounts for approximately $5.31 billion. The Mayor's Five-Year Financial Plan projected General Fund shortfalls of $87 million and $200 million in fiscal years 2017-18 and 2018-19, respectively. The Proposed Budget addresses the shortfalls through improved revenue projections, one time-funding of non-recurring capital and equipment costs, savings in health benefit costs, and identification of alternative sources for funding of costs at the Department of Public Health. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2017 (the "Trust Agreement"), by and between the City and County of San Francisco (the "City") and U.S. Bank National Association, as Trustee and Project Trustee (as defined below). Each Certificate represents 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 a Project Lease dated as of July 1, 2017 (the "Project Lease"), by and between the Project Trustee, as lessor, and the City, as lessee. The City is obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"). The Leased Property will be initially conveyed to the Project Trustee pursuant to a Property Lease, dated as of July 1, 2017 (the "Property Lease"), by and between the City, as lessor, and the Project Trustee, as lessee.

The Trust Agreement, the Property Lease, and the Project Lease were approved by the Board of Supervisors of the City by its Ordinance No. 26-13, adopted on February 12, 2013 and signed by the Mayor on February 15, 2013 (the "Ordinance"). The Ordinance authorized the execution and delivery of up to $507,880,000 aggregate principal amount evidenced and represented by the Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under the Project Lease. 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, since the Trustee is neither a public agency nor a nonprofit corporation.

Under the Trust Agreement, the City will create a trust named the "Moscone Expansion Project Trust" (the "Project Trust") for the benefit of the holders from time to time of the Certificates. U.S. Bank National Association will act as trustee with respect to the Project Trust (in such capacity, the Trustee is referred to as the "Project Trustee"). Pursuant to the Trust Agreement, the purpose of the Project Trust is to (a) act as lessee under the Property Lease, (b) act as sublessor under the Project Lease, and (c) assign certain of its rights and interests under the Property Lease and the Project Lease to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Project Trust will consist of all right, title and interest of the Project Trust in, to and under the Property Lease and the Project Lease and the proceeds thereof. Under the Trust Agreement, the City and the Project Trustee agree not to pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Project Lease and the Trust Agreement. The Project Trust will terminate when no Certificates remain Outstanding under the Trust Agreement.

Pursuant to the Trust Agreement, the Project Trustee will unconditionally grant, transfer, and assign to the Trustee, without recourse, its rights, title, and interest under the Property Lease and the Project Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Project Lease, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee has any right or claim under the Property Lease or the Project Lease, other than Additional Rental not payable to the Project Trustee, (iii) the right to take all actions and give all consents under the Property Lease and the Project Lease, (iv) any rights of access provided in the Property Lease and the Project Lease, and (v) any and all other rights and remedies of the Project Trustee in the Property Lease as lessee and the Project Lease as lessor.

Purpose

The proceeds of the Certificates will be used to: (i) retire certain commercial paper certificates of participation of the City, the proceeds of which financed a portion of the costs of the acquisition, construction, renovation, reconstruction and equipping of improvements to the existing site and facilities of Moscone Center; (ii) finance or refinance the Project; (iii) fund capitalized interest payable with respect to the Certificates through April 1, 2018; (iv) fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (v) pay costs of execution and delivery of the Certificates. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein, for a further description of the expected application of proceeds of sale of the Certificates.

Form and Registration

The Certificates are being executed and delivered representing principal in the aggregate amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("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."

Payment of Principal and Interest Components

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 the sum of the portions of the Base Rental payments designated as principal components coming due on each April 1. Payment of the principal and premium, if any, evidenced and represented by the Certificates upon prepayment or upon 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 is payable on April 1 and October 1 of each year, commencing on October 1, 2017 (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest evidenced and represented by 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 evidenced and 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 evidenced and 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 evidenced and 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.

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or before April 1, 2025 are not subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 2026 are subject to prepayment prior to their respective stated Certificate Payment Dates, in whole or in part on any date on or after October 1, 2025, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments, at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment

The Certificates are 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 Prepayment Account of the Base Rental Fund 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.

Mandatory Sinking Account Installment Prepayment

The $98,715,000 term Certificates with a Certificate Payment Date of April 1, 2042, are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Sinking Account Prepayment Date (April 1)	Sinking Account Installment Amount
2039	$23,245,000
2040	24,175,000
2041	25,145,000
2042†	26,150,000

† Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of the principal amount evidenced and represented by the Certificates (other than from Sinking Account Installments) and less than all of principal amount evidenced and represented by the Outstanding Certificates are to be prepaid, the City will direct the principal amount evidenced and represented by the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Among the Certificates scheduled to be paid on a particular Certificate Payment Date, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner which 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 system is used for any Certificates, notice with respect thereto will be given solely 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 delivery date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Each 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 evidenced and represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest evidenced and represented thereby will cease to accrue and be payable. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

Effect of Prepayment

If, on the designated prepayment date, money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, will be held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice will have been given as described above, then from and after such prepayment date, no additional interest evidenced and represented by the Certificate will become due with respect to the Certificates to be prepaid, and such Certificate or portion thereof will no longer be deemed Outstanding under the provisions of this Trust Agreement; however, all money held by or on behalf of the Trustee for the prepayment of such Certificates will be held in trust for the account of the Owners thereof.

If the City acquires any Certificate by purchase or otherwise, such Certificate will no longer be deemed Outstanding and will be surrendered to the Trustee for cancellation.

Conditional Notice; 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, evidenced and represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, 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, and the City will continue to pay the Base Rental payments as if no such notice were given. 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, or fails to satisfy any condition to a conditional notice, the City will continue to pay the Base Rental payments as if no such notice were 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 will not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related Certificates. All Certificates so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates evidence 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 terminates on April 1, 2042, unless extended as described in this section.

Pursuant to the Trust Agreement, the City has granted to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding the Rebate Fund), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of the Leased Property), and eminent domain award not required to be used for repair or replacement of the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property; (iv) all amounts on hand from time to time in the Reserve Account of the Reserve Fund and the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to complete the Project or to pay costs of execution and delivery of the Certificates); and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. 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 annual principal and interest evidenced and represented by the Certificates.

Covenant to Budget

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 defaults on its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may hold the City liable for all Rental Payments on an annual basis. See "CERTAIN RISK FACTORS – Limited Recourse on Default; No Reletting of the Leased Property."

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, 2016." 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 Rental Payments under the Project Lease does not constitute an obligation to levy or pledge, 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; Capitalized Interest

The Rental Payments payable by the City pursuant to the Project Lease consist of Base Rental and Additional Rental. The Certificates evidence the principal and interest components of the Base Rental payments.

Base Rental. The City has covenanted in the Project Lease that, so long as the City has the full use and occupancy of the Leased Property, 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.

Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Lease, commencing September 25, 2017, 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" below 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 and 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" above.

Additional Rental. Additional Rental payments due from the City to the Trustee include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement, deposits required to be made to the Rebate Fund, if any, and all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Project Lease.

Capitalized Interest. A portion of the proceeds of the sale of the Certificates will be deposited into the Base Rental Fund in an amount sufficient to pay all interest evidenced and represented by the Certificates through April 1, 2018. The Leased Property initially consists entirely of existing portions of "Moscone North," as to which the City expects to have use and possession on and after the delivery date of the Certificates, and does not include the Project. See "THE LEASED PROPERTY" and "THE PROJECT." The City from a State law standpoint thus could pay interest represented by the Certificates from General Fund revenues from the date of execution and delivery of the Certificates; however, the City has decided for budgetary reasons to fund a portion of the interest represented by the Certificates during the construction period of the Project from Certificate proceeds.

Abatement of Rental Payments

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Project Lease will be deposited into the Base Rental Fund. 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, subject only to the provisions of the Project Lease regarding abatement.

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, 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 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 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 or condemnation and end when use and occupancy or possession is restored. 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, 2052. See "CERTAIN RISK FACTORS – Abatement."

The City has the option, but not the obligation, to deliver Substitute Leased Property (defined below) for all or a portion of the Leased Property pursuant to the substitution provisions of the Project Lease during any period of abatement. 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 maintained pursuant to the Project Lease and moneys on deposit in the Reserve Fund to make payments of principal and interest evidenced and represented by the Certificates. Any abatement of Base Rental payments could affect the City's ability to pay debt service on the Certificates, although the Project Lease requires the City to maintain rental interruption insurance and the Trust Agreement requires that a Reserve Fund be established. See "CERTAIN RISK FACTORS – Abatement."

Reserve Fund

The Trust Agreement establishes a Reserve Fund that will be held by the Trustee, and within the Reserve Fund, there is created a Reserve Account for the Certificates to be held by the Trustee. The Reserve Account will only be available to support payments of the principal and interest components of Base Rental evidenced and represented by the Certificates. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the Reserve Account of the Reserve Fund a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement. The Reserve Requirement, as of any date of calculation, is the least of (i) the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates, or (iii) 10% of the principal amount evidenced by the Certificates originally executed and delivered. As of the date of delivery of the Certificates, the Reserve Requirement with respect to the Certificates is $27,198,462.50.

The Reserve Fund is required to be maintained by the Trustee until the Base Rental 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 may, at the City's option, be paid from the Reserve Fund.

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 Reserve Fund, provided that (i) such substitution will 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 will notify each Rating Agency prior to making any such substitution), and (ii) the Trustee will 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 will be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted will 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 evidenced and represented by the Certificates due on such date, the Trustee will transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts will only be available for such series of Certificates). In the event of any such transfer, the Trustee will immediately provide written notice to the City of the amount and the date of such transfer.

Any moneys in the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing October 1, 2017, and at such other time or times as directed by the City, will be transferred to the Base Rental Fund and applied to the payment of the principal and interest evidenced and represented by the Certificates on the next succeeding Interest Payment Date, or transferred to such other fund as the City may designate. The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

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, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Project Lease. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged 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 insurance or condemnation proceeds or other legally available funds that are sufficient to prepay: (i) all of the Certificates Outstanding and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Base 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 to remain Outstanding 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 – SUMMARY OF 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 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 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 principal amount evidenced and represented by the Outstanding Certificates, 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) 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; (iv) 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 April 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 described in (ii) above, with such insurance not subject to any deductible, and (v) builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount evidenced and represented by the Certificates, or the replacement cost of the Project, which insurance will be outstanding until Final Completion of the Project. Except as provided 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 policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount evidenced and represented by the Certificates, showing fee title of the real property subject to the Project Lease (the "Site") in the name of the City and 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.

The Project Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount evidenced and represented by the Certificates (to the extent commercially available, in the judgment of the City's Risk Manager); 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. Based upon current market conditions and the recommendations of the Risk Manager of the City, the City has determined not to obtain earthquake insurance at this time.

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 general liability insurance only.

See APPENDIX A: " CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Risk Retention Program."

Eminent Domain

If all of 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: (i) the City may, at its option, replace the Leased Property or (ii) the Project Lease will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of Certificates. 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 its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken or to the partial prepayment of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – SUMMARY OF TRUST AGREEMENT – Funds and Accounts – Eminent Domain" and "– SUMMARY OF PROJECT LEASE – Eminent Domain."

Addition, Release and Substitution of Leased Property

If no Project Lease Event of Default has occurred and is continuing, 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 will deliver 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 as described above, 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, will 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).

See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – SUMMARY OF PROJECT LEASE – Addition, Release and Substitution."

Additional Certificates

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 with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Project Lease is sufficient to pay all principal and interest evidenced and represented by the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Premises.

Moscone Expansion District Assessments

The City currently plans to use a portion of available MED Assessments (as defined below) to pay approximately two-thirds of the periodic Base Rental payments. The MED Assessments, however, are not pledged under the Trust Agreement or the Project Lease to pay or secure the Base Rental payments. The owners of the Certificates therefore will have no rights to cause the MED Assessments to be collected or applied to the Base Rental payments. The City could revise or reduce the MED Assessments or apply the MED Assessments to purposes other than the payment of a portion of the Base Rental payments. Accordingly, The MED Assessments should be viewed only as an expected but not certain source of payment for the Certificates. The City also plans to use approximately $118 million of available MED Assessments to fund a portion of the construction costs of the Project. See "THE PROJECT" herein.

On November 20, 2012, the City's Board of Supervisors adopted the Resolution of Intention – Moscone Expansion Business Improvement District. That resolution declared the City's intent to establish a business-based business improvement district to be known as the Moscone Expansion District (the "MED" or the "District"), levy a multi-year assessment, and approve the Management Plan for the District (the "MED Management Plan").

The District was approved by a vote of the owners of non-residential hotels within San Francisco. The City is authorized to charge each hotel in the District an assessment based on its revenue from room rentals (the "MED Assessments"). The MED Assessments are required to be paid to the City's Treasurer and Tax Collector on a quarterly basis. The MED Assessments were effective as of July 1, 2013, and the first payments to the Treasurer and Tax Collector were due by October 31, 2013. The MED Assessment is in addition to an existing San Francisco Tourism Improvement District ("TID") assessment.

The District consists of two zones for assessment purposes. Zone 1 includes hotels relatively closer to the Moscone Convention Center, and Zone 2 includes the rest of the hotels in the City. For hotels located in Zone 1, the MED Assessment was 0.5% of the gross revenue for guest rooms from the commencement of the District through December 31, 2013, and is 1.25% beginning January 1, 2014 through the termination of the MED. For hotels located in Zone 2, the MED Assessment is 0.3125% of the gross revenue for guest rooms from the commencement of the District through the termination of the MED. Hotels subject to the MED Assessment are allowed, but not required, to collect the amount of the MED Assessment from hotel guests.

Under the MED Management Plan, the MED Assessments are available to pay Base Rental in excess of the City's annual "Base Contribution," as described below. Under the MED Management Plan, the City has committed to paying Base Rental from sources other than MED Assessments in amounts equal to $8.2 million in fiscal year 2018-19, with an increase of 3.0% per year through fiscal year 2027-28 capped at $10.7 million for the remainder of the term of the District (the City's "Base Contribution"). Base Rental in excess of the Base Contribution will be paid from the MED Assessments to the extent available. The City's obligation to pay Base Rental under the Project Lease is not based or contingent upon the amount of available MED Assessments.

The MED Assessments have been collected since July 2013 and annual collections available to pay Base Rental payments was approximately $27.7 million in fiscal year 2015-16. The MED Management Plan provides that if MED Assessment revenues are insufficient to timely pay the committed portion of the Base Rental payments, the City's contribution from other legally available funds will be increased to cover the deficiency, with any such deficiencies repaid from available MED Assessments in subsequent years. A portion of MED Assessment revenues in excess of amounts committed to pay scheduled Base Rental payments will be applied (i) to make deposits into a stabilization fund up to a maximum balance of $15.0 million, (ii) to repay the City's General Fund for prior year deficiencies in MED Assessment revenues, and (iii) to future Moscone Center development and capital improvement. Under the MED Management Plan, the MED Assessments are subject to annual and aggregate caps and will be levied through June 30, 2045. See "CERTAIN RISK FACTORS – Moscone Expansion District Assessments."

Validation Action

The City brought a special legal proceeding in 2013, pursuant to applicable State law, in the Superior Court of the State of California for the County of San Francisco seeking judicial validation of, among other things: (i) the MED, (ii) the MED Assessments, (iii) the Trust Agreement, Property Lease and Project Lease, and (iv) various City proceedings related to the foregoing. In June, 2013, the Court entered a default judgment to the effect, among other things, that: (a) the MED is duly established and legally existing pursuant to State law, (b) the MED Assessments are legal, valid and binding on the hotels subject to the assessments, and (c) the Trust Agreement (including the Certificates), the Property Lease and the Project Lease are legal, valid and binding obligations. No one responded to the City's complaint. The time period for the filing of any appeal with respect to the default judgment expired and no appeals were filed. In issuing its opinion as to the validity of the Project Lease, Special Counsel will reply in part upon the entry of the foregoing default judgment. See "OTHER LEGAL MATTERS" herein.

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:	
Par Amount	$412,355,000
Plus Original Issue Premium	36,070,425
Total Sources	$448,425,425
Uses of Funds:	
Repayment of Commercial Paper	$196,496,634
Commercial Paper Fees & Interest	4,742,848
Project Fund	204,855,608
Base Rental Fund[1]	12,800,209
Reserve Account	27,198,462
Underwriting Discount	1,007,767
Costs of Delivery[2]	1,323,897
Total Uses	$448,425,425

(1) Represents capitalized interest through April 1, 2018.

(2) Includes amounts for legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, escrow and title insurance fees, printing costs, other delivery costs and rounding amounts.

CERTIFICATE PAYMENT SCHEDULE

The Project Lease requires the City to make Base Rental payments on each March 25 and September 25, commencing September 25, 2017, in payment for the use and occupancy of the Leased Property during the term of the Project Lease.

The Trust Agreement requires that Base Rental payments be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing on October 1, 2017, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments evidenced and represented by the Certificates as the same become due and payable, as shown in the following table. Capitalized interest payable from a portion of the proceeds of the Certificates deposited in the Base Rental Fund concurrently with the execution and delivery of the Certificates will be applied to pay interest represented by the Certificates through April 1, 2018.

Certificate Payment Schedule

Payment Date	Principal	Interest	Annual Debt Service
10/01/2017	-	$4,105,727.26	-
04/01/2018	-	8,694,481.25	$12,800,208.51
10/01/2018	-	8,694,481.25	-
04/01/2019	$9,805,000.00	8,694,481.25	27,193,962.50
10/01/2019	-	8,449,356.25	-
04/01/2020	10,295,000.00	8,449,356.25	27,193,712.50
10/01/2020	-	8,191,981.25	-
04/01/2021	10,810,000.00	8,191,981.25	27,193,962.50
10/01/2021	-	7,921,731.25	-
04/01/2022	11,355,000.00	7,921,731.25	27,198,462.50
10/01/2022	-	7,637,856.25	-
04/01/2023	11,920,000.00	7,637,856.25	27,195,712.50
10/01/2023	-	7,339,856.25	-
04/01/2024	12,515,000.00	7,339,856.25	27,194,712.50
10/01/2024	-	7,026,981.25	-
04/01/2025	13,140,000.00	7,026,981.25	27,193,962.50
10/01/2025	-	6,698,481.25	-
04/01/2026	13,800,000.00	6,698,481.25	27,196,962.50
10/01/2026	-	6,353,481.25	-
04/01/2027	14,490,000.00	6,353,481.25	27,196,962.50
10/01/2027	-	5,991,231.25	-
04/01/2028	15,215,000.00	5,991,231.25	27,197,462.50
10/01/2028	-	5,610,856.25	-
04/01/2029	15,975,000.00	5,610,856.25	27,196,712.50
10/01/2029	-	5,211,481.25	-
04/01/2030	16,775,000.00	5,211,481.25	27,197,962.50
10/01/2030	-	4,875,981.25	-
04/01/2031	17,445,000.00	4,875,981.25	27,196,962.50
10/01/2031	-	4,614,306.25	-
04/01/2032	17,965,000.00	4,614,306.25	27,193,612.50
10/01/2032	-	4,344,831.25	-
04/01/2033	18,505,000.00	4,344,831.25	27,194,662.50
10/01/2033	-	3,974,731.25	-
04/01/2034	19,245,000.00	3,974,731.25	27,194,462.50
10/01/2034	-	3,662,000.00	-
04/01/2035	19,870,000.00	3,662,000.00	27,194,000.00
10/01/2035	-	3,264,600.00	-
04/01/2036	20,665,000.00	3,264,600.00	27,194,200.00
10/01/2036	-	2,851,300.00	-
04/01/2037	21,495,000.00	2,851,300.00	27,197,600.00
10/01/2037	-	2,421,400.00	-
04/01/2038	22,355,000.00	2,421,400.00	27,197,800.00
10/01/2038	-	1,974,300.00	-
04/01/2039	23,245,000.00	1,974,300.00	27,193,600.00
10/01/2039	-	1,509,400.00	-
04/01/2040	24,175,000.00	1,509,400.00	27,193,800.00
10/01/2040	-	1,025,900.00	-
04/01/2041	25,145,000.00	1,025,900.00	27,196,800.00
10/01/2041	-	523,000.00	-
04/01/2042	26,150,000.00	523,000.00	27,196,000.00
Total	$412,355,000.00	$253,139,258.51	$665,494,258.51

THE LEASED PROPERTY

General

The Leased Property will initially consist of a portion of the George R. Moscone Convention Center (the “Moscone Center”) generally known as “Moscone North.” The Moscone Center opened in 1981 and is the principal convention center facility in the City. Moscone Center is situated on two adjacent 11-acre blocks bounded by Mission, Folsom, Third and Fourth Streets. Situated in the heart of downtown, the center is within walking distance of nearly 20,000 hotel rooms.

Moscone Center currently encompasses over 20 acres of convention facility space on three adjacent City blocks, and includes 2,000,000 square feet of building area that includes over 700,000 square feet of exhibit space, 106 meeting rooms, and nearly 123,000 square feet of pre-function lobbies. Most recent renovations to Moscone Center were completed in May 2012, including restroom, lobby and kitchen renovations, digital and telecommunications upgrades, elevator and escalator improvements, and new carpeting, paining and lighting, at a cost of approximately $56 million.

The Convention Facilities Department of the City operates and maintains Moscone Center through contracts with San Francisco Travel, a non-profit organization which has a contract with the City to promote the City as a premier destination for conventions, meetings and tradeshows, and with Moscone Joint Venture, a private consortium of Spectator Management Group, to manage the day-to-day operations of Moscone Center.

The Leased Property

Moscone North opened in May 1992, adding 181,440 square feet of exhibition space in two halls, plus 53,415 square feet of meeting space. The Leased Property consists of a portion of Moscone North, primarily consisting of exhibit and meeting space mostly below-grade and a lobby entrance above grade. The Leased Property is located on the entirety of Block 3723 of the City, bounded by Third Street to Fourth Street, and Howard Street to Mission Street, including those portions lying above and below Howard Street providing connectivity to a different section of Moscone Center generally known as “Moscone South.” The Leased Property will not include those portions of Moscone North generally referred to as Parcels 6A-E, Tract 6 and Tract 9, which generally consist of the Yerba Buena theater and lawn area, the upper grade common walk between Moscone North and the Metreon shopping and entertainment center (the “Metreon”), the Metreon, and the site of the existing Target store. The land area of the Leased Property is 8.17 acres, with improvements totaling 439,875 square feet.

The Leased Property is owned by the City. The City's title in the Leased Property has no material encumbrances as of the date of this Official Statement.

On the date of delivery of the Certificates, the Leased Property will consist only of certain completed portions of Moscone North and will not include those portions of Moscone North that will be under construction as part of the Project. Certain other portions of Moscone North are planned to be under construction but such construction is not expected to materially adversely impact the City's rights of use and occupancy 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, and the City currently intends for the completed Project to serve as the Leased Property. See "CERTAIN RISK FACTORS – Release and Substitution of the Leased Property."

THE PROJECT

Description of the Project

The existing Moscone Center is effectively filled to capacity and cannot accommodate many of the existing convention market needs. According to a study and report published in 2011 by Jones Lang LaSalle Hotels, prior to its expansion, Moscone Convention Center had less than 50% of exhibit space per square foot of meeting space compared to the top twelve most competitive convention centers in the country, resulting in fewer bookings and a direct spending loss of approximately $2.1 billion for years 2011 through 2020.

Conventions hosted at the Moscone Convention Center are a significant driver of the City's tourism sector. According to the San Francisco Travel Association ("SF Travel"), a nonprofit membership organization, approximately 41% of the City's visitors stay overnight and use lodging within the City's boundaries. In 2016, hotel room taxes generated $439 million or 12% of General Fund revenues. According to SF Travel, 67 events were held at the Convention Center in 2016, which attracted over 1.1 million visitors and generated approximately $750 million in direct spending from convention visitors to the City.

To retain and grow the San Francisco convention market, the City plans to use a portion of the proceeds of the Certificates to finance or refinance the Project, generally consisting of the following:

- Increase the overall gross square footage of Moscone North and Moscone South from 1,245,700 to 1,511,625, a net increase of 265,925 square feet, and renovation of 117,390 square feet for a total of 383,315 square feet of renovated and expanded space within the existing perimeter of Moscone Center;

- Demolish a portion of the existing Esplanade building at 3rd and Howard Streets and construct a the first half of a new three-story building over an existing exhibition level, including a new lobby, multipurpose meeting rooms, ballrooms and support spaces above ground;

- Demolish the existing Moscone South lobby and replace with the second half of a new three-story building that reduces the front driveway area and provide an enlarged lobby, meeting rooms, ballroom, circulation and support space;

- Expand Moscone South and Moscone North exhibition space by excavating additional areas under Howard Street and retrofitting existing lower level support space to create enlarged contiguous exhibition spaces;

- Reduce front bus drop-off driveway area to convert Moscone North with new expanded lobby;

- Construct a new bridge across Howard Street to provide improved public access to open spaces at both Moscone North and Moscone South and a bridge for internal access between Moscone North and Moscone South buildings for convention uses; and

- Enhance Moscone Center's physical interface with the surrounding area by providing improvements to landscaping, urban design and streetscape.

On the date of delivery of the Bonds, the Leased Property will consist only of certain portions of Moscone North and will not include those portions of Moscone North that will be under construction as part of the Project. However, 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, and the City currently intends for the completed Project to serve as the Leased Property. See "CERTAIN RISK FACTORS – Release and Substitution of the Leased Property."

A portion of the proceeds of the Certificates will also be used to retire certain commercial paper certificates of participation of the City, the proceeds of which financed certain costs of the Project.

Skidmore, Owings and Merrill are providing architecture and engineering design services for the Project. The General Contractor and Construction Manager for the Project is Webcor Builders ("Webcor"). Webcor is constructing the Project pursuant to a Construction Management/General Contractor contract dated November 13, 2014 (the "Construction Contract").

Project Costs

The Project is estimated to cost approximately $551 million, as further described below:

Preconstruction, Construction, Demolition, Abatement	$480,945,163.00
Architecture, Engineering, Permits, Other Soft Costs	31,292,505.00
Project Controls and Management	15,654,827.14
Other Program Costs	17,610,504.86
Furniture, Fixtures and Equipment	5,807,000.00
Total	$ 551,310,000.00

The City plans to finance the Project using the proceeds of the Certificates and approximately $151.8 million from other sources of funds.

In November 2012, the City approved the MED and authorized MED Assessments on hotel businesses through 2045. The City plans to use approximately $118 million of available MED Assessments to fund a portion of the construction costs of the Project. The City also currently plans to use a portion of available MED Assessments to fund a portion of the Base Rental payments. The MED Assessments are not pledged to the Base Rental payments under the Trust Agreement or the Project Lease, and the owners of the Certificates have no rights to cause such MED Assessments to be collected or applied to the Base Rental payments. The City could revise or reduce the MED Assessments or apply the MED Assessments to purposes other than the payment of a portion of the Base Rental payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Moscone Expansion District Assessments" and "CERTAIN RISK FACTORS – Moscone Expansion District Assessments."

Project Schedule

Project construction commenced in November 2014, and Final Completion of the Project is expected to be in December 2018. Under the Project Lease, "Final Completion" or "Final Completion of the Facilities" means the construction, the installation of improvements and the substantial readiness of the Facilities for use and occupancy by the City (subject to minor architectural finish items e.g., 'punch list' items) as evidenced by the delivery of the Certificate of Final Completion.

The Project is planned to be constructed in several phases, as described below. All required environmental approvals for the Project have been obtained.

Phase	General Description of the Phase	Project Budget[1]	Construction Schedule
	Pre-Construction	$7,841,299	–
0	"Make Ready Work" consisting of utility relocation and building infrastructure relocation.	7,320,456	11/17/2014 to 5/8/2015 (completed)
I	Temporary connector build out and truck ramp relocation.	34,652,356	4/27/2015 to 1/26/2016 (completed)
II	Demolish portion of esplanade building and construct first half of Moscone South building consisting of three new floors above ground and site work including landscaping.	191,574,473	12/21/2015 to 9/8/2017
III	Demolish Moscone South building lobby and construct second half of Moscone South building consisting of three new floors above ground and site work including landscaping.	242,956,578	4/7/2017 to 11/30/2018
		$484,345,163	

(1) The amounts shown do not include soft costs of $66,964,837.

As of May 2017, the Project was approximately 60% complete. The Project is currently on schedule; however, there can be no assurance that Final Completion of the Project will be achieved by December 2018.

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 adversely affect timely payment of principal and interest evidenced and represented by the Certificates and 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.

Rental Payments Not a Debt of the City

The obligation of the City to make Rental Payments does not constitute an obligation of the City to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make 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 are payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Reserve Account of the Reserve Fund and the Base Rental 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 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 – Board Authorized and Unissued Long-Term Obligations," "– Overlapping Debt," and "– Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2016."

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.

The Project Lease provides that 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, 2052. Moneys in the Reserve Account of the Reserve Fund, and the proceeds of rental interruption insurance may be used by the Trustee to make principal and interest payments evidenced and represented by the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest evidenced and represented by the Certificates as such amounts become due. See "SECURITY AND SOURCES 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.

If such amounts, together with rental interruption insurance, are sufficient to make such payments, moneys remaining in the Reserve Account after such payments may be less than the related Reserve Fund Requirement. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Account to the Reserve Fund Requirement.

It is not possible to predict the circumstances under which such an abatement of 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 or may be adjusted during an event of abatement. Upon abatement, 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.

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 Reserve Account of the Reserve Fund and any available insurance proceeds, are insufficient to make all payments evidenced and represented by 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, premium, if any, or interest evidenced and represented by 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 evidenced and represented by the Certificates**.**

Reserve Fund

At the time of delivery of the Certificates, proceeds of the Certificates in the amount of $27,198,462.50 will be deposited in the Reserve Account of the Reserve Fund. In the event of abatement or default, the amounts on deposit in the Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default.

Limited Recourse on Default; No Reletting of the Leased Property

The Project Lease and the Trust Agreement provide that, if there is a default by the City, 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. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Account to the Reserve Fund Requirement. In addition, the Project Lease provides that no remedies 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, will proceed), without any further notice, 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, other than by terminating the Project Lease or re-entering and reletting the Leased Property. The Project Lease does not allow the remedy of re-entering and reletting of the Leased Property.

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 the Base Rental payments. 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 – SUMMARY OF PROJECT LEASE – Addition, Release and Substitution." Although the Project Lease requires that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the Leased Property being replaced, 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 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.

Moscone Expansion District Assessments

The City has covenanted in the Project Lease that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The City currently plans to use a portion of available revenues from the MED Assessments to pay approximately two-thirds of the periodic Base Rental payments. The MED Assessments, however, are not pledged under the Trust Agreement or the Project Lease to pay or secure the Base Rental payments. The holders of the Certificates therefore will have no rights to cause the MED Assessments to be collected or applied to the Base Rental payments. The City could revise or reduce the MED Assessments or apply the MED Assessments to purposes of than the payment of a portion of the Base Rental payments. Accordingly, the MED Assessments should be viewed only as an expected but not certain source of payment for the Certificates. The City's obligation to pay Base Rental payments is not limited to or conditioned upon the receipt of MED Assessment revenues.

The MED Assessments are based on a percentage of certain specified revenues of hotels within the City and are therefore subject to fluctuations in such revenues based, among other things, on occupancy levels and room rates. There are numerous risks to such revenues including local and regional economic cycles, demand and price levels for hotel rooms, tourism and convention activity in the City, seismic or other natural or man-made events that could impact hotel revenues, and other factors. Should annual revenues from MED Assessments not be realized at current or expected levels, addressing such deficiency could cause financial pressure on the City's General Fund resources. Further, the construction and shutdown of portions of Moscone Center pursuant to the Project have reduced the level of convention activity in the City and may adversely impact hotel revenues until the Project is completed. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Other Budget Updates." While the City's obligation to pay Base Rental payments is not limited to or conditioned upon receipt of MED Assessments, a significant deficiency in the receipt of such funds could have a material adverse effect on the City's finances. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Moscone Expansion District Assessments."

City Long-Term 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. Notwithstanding the City's strong economic and financial performance during the recent recovery from the 2008 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.

Significant capital investments are proposed in the City's adopted ten-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.6 billion in capital needs are deferred from the capital plan's ten-year horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

In addition, the City faces long term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken significant 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 significant 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.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last four fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues.

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see 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 YEAR ENDED JUNE 30, 2016."

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly $100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy.

Seismic Risks

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast 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. 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.

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 quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may 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, and residential and business real property values.

In early 2016, the Port Commission of the City and County of San Francisco (the "Port Commission") commissioned an earthquake vulnerability study of the Northern Waterfront Seawall (the "Seawall"). The 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.

The Leased Property is located in the City and therefore also within a seismically active region. The obligation of the City to make payments of Base Rental may be abated if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake insurance on the Leased Property because the City does not expect to be able to procure earthquake insurance in reasonable amounts at reasonable costs on the open market from reputable insurance companies. The City currently does not carry earthquake insurance on the Leased Property. Rental interruption insurance required to be maintained under the Project Lease is not required to cover earthquake hazards.

Climate Change Regulations

The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R. 1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles.

Regulation by the EPA can be initiated by private parties or by governmental entities other than the EPA. On July 11, 2008, the EPA issued an Advanced Notice of Proposed Rulemaking (the "ANPR") relating to GHG emissions and climate change. The final rule, the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260), requires reporting of GHG data and other relevant information from large stationary sources and electricity and fuel suppliers.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including the State, and have been proposed on the federal level. The State passed Assembly Bill 32, the "California Global Warming Solutions Act of 2006," which requires the Statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of Assembly Bill 32: the "California Cap-and-Trade Program" (the "Program") which was implemented in January 2012. The Program covers regulated entities emitting 25,000 metric tons of carbon dioxide equivalent (MtCO2e) per year or more and entities in certain listed industries, including major industrial sources, electricity generating facilities, and fuel suppliers. Non-covered entities are encouraged to opt-in and voluntarily participate in the Program. It is expected that the Program will result in rising electricity and fuel costs, which may adversely affect the City and the local economy.

The City is unable to predict what additional federal or State laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the City or the local economy. The effects, however, could be material.

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events such as terrorist attacks or cybersecurity breaches may damage City infrastructure and adversely impact the City's ability to provide municipal services, or adversely impact the City's operations or finances. For example, in November 2016, the San Francisco Municipal Transportation Agency (the "SFMTA") was subjected to a ransomware attack which disrupted some of the SFMTA's internal computer systems but did not impact any of the critical transportation systems. Therefore, the attack did not interrupt Muni services nor did it compromise customer privacy or transaction information. The SFMTA, however, took the precaution of turning off the ticket machines and faregates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27. While the City takes prudent measures to prevent cyberattacks, no assurance can be given that the City will not be the target of future cybersecurity attacks that could adversely impact the City's operations.

As another example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included 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 generator 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. In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City and the City can give no assurance as to the condition of such gas transmission and distribution pipelines.

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. Upon the Final Completion of the Project, the City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months Base Rental payments. The Project Lease allows the City to insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as self-insurance. 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 evidenced and represented by the Certificates when due.

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. For information concerning the self-insurance and risk management programs of the City see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution" herein.

Changes in Law

The City cannot provide any assurance that the State Legislature or the City's Board of Supervisors will not enact legislation that will 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 XIII C and XIII D of the California Constitution" herein.

The security for payment of the principal and interest evidenced and represented by the Certificates also may 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.

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) (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 of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially 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 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.

State of California Financial Condition

The City receives a significant portion of its funding from the State. The City's fiscal year 2016-17 Annual Appropriation Ordinance projects that approximately $679.4 million or 14.5% of the City's $4.7 billion General Fund revenues will come from State sources. 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. 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. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

Federal Funding

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. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Government on Local Finances."

Other

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

TAX MATTERS

Certificates

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental payment paid by the City designated as and evidencing interest and received by the Owners of the Certificates ("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 (the "Code") and is exempt from State of California personal income taxes. Interest evidenced by the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest evidenced by the Certificates is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix F hereto.

To the extent the issue price of any Certificate Payment Date (a "maturity date of the Certificates") is less than the amount to be paid at the maturity date of such Certificates (excluding amounts stated to be interest evidenced by the Certificates and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest evidenced by the Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity date of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity date of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Certificates, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Owner. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person), whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Certificates may otherwise affect a Certificate holder's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisers regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

The opinion of Special Counsel is based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Certificates ends with the execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the City or the Owners regarding the tax-exempt status of interest evidenced by the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. 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 obligations presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Owners to incur significant expense.

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 legal opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Special Counsel. The signed legal opinion of 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 underwriters of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinion of Special Counsel is set forth in Appendix F hereto. The legal opinion to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Special Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Certificates, which Special Counsel will not have independently verified.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has 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. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has 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, 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 Hawkins Delafield & Wood LLP's having acted in the role of 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

Backstrom McCarley Berry & Co., LLC and Montague DeRose and Associates, LLC served as Co-Financial Advisors to the City with respect to the sale of the Certificates. The Co-Financial 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-Financial 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 assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Special Counsel and 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 holders and beneficial 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 2016-17, which is due not later than March 27, 2018, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). 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 purchaser of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

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 Controller's web site at www.sfgov.org/controller.

LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Property Lease, the Project 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, except as described below. The City will furnish to the Underwriters of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aa2," "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.spratings.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 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.

SALE OF THE CERTIFICATES

The Certificates were sold at competitive bid on June 22, 2017, as provided in the Official Notice of Sale, dated June 13, 2017 (the "Official Notice of Sale"). The Certificates were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Purchaser") at a purchase price of $447,417,657.98 (consisting of the principal amount of the Certificates, plus net original issue premium of $36,070,425.15, and less an underwriter's discount of $1,007,767.17). 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 Special Counsel and certain other conditions. The Purchaser has represented to the City that the Certificates have been reoffered to the public at the prices or yields stated on the inside cover page hereof.

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 is not to be construed as a contract or agreement between the City and the Underwriters 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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of May 22, 2017.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and 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. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is governed 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, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "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 K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed itself 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 Mill's 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 (the "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. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now 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 of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

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. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. 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 and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor has responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term on November 3, 2015. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the City Administrator from 2005 until his appointment to

Mayor. He also previously served in each of the following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

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.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, *District 1*	2017	2021
Mark Farrell, *District 2*	2010	2019
Aaron Peskin, *District 3*	2017	2021
Katy Tang, *District 4*	2013	2019
London Breed, Board President, *District 5*	2017	2021
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2017	2021
Jeff Sheehy, *District 8*	2017	2021
Hillary Rohen, *District 9*	2017	2021
Malia Cohen, *District 10*	2010	2019
Ahsha Safai, *District 11*	2017	2021

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. The City Attorney represents the City in legal proceedings in which the City has an interest. 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.

Carmen Chu was elected Assessor-Recorder of the City in November 2013. The Assessor-Recorder administers the property tax assessment system of the City. 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 Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. 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.

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. 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. 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, 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 a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7, 2012 and re-appointed for a second five-year term on February 8, 2017. 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. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. In July 2016, the City adopted a full two-year budget. The City's fiscal year 2016-17 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $9.59 billion, of which the City's General Fund accounts for approximately $4.86 billion. In fiscal year 2017-18 appropriated revenues, fund balance, transfers and reserves total approximately $9.72 billion and $5.09 billion of General Fund budget. For a further discussion of the fiscal years 2016-17 and 2017-18 adopted budgets, see "City Budget Adopted for Fiscal Years 2016-17 and 2017-18" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes and charges for services. A significant portion of the City's revenues come in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal situation 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 of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. 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.

Budget Process

The City's fiscal year commences on July 1. 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 the complete 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 accuracy of 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 City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee 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 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 must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after ten 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 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 reflecting the year-end revenue and expenditure appropriations for that fiscal year.

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires four significant changes:

1. Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets are currently approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the Public Utilities Commission and MTA. All other departments prepared balanced, rolling two-year budgets.

2. Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on December 16, 2016, for fiscal year 2017-18 through fiscal year 2021-22, to be considered by the Board of Supervisors. See "Five Year Financial Plan" below. This plan was most recently updated on March 23, 2017.

3. Charges the Controller's Office with proposing 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 requires the City 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 of any subsequent year.

4. Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent on nonrecurring expenditures. On December 16, 2014, the Board of Supervisors unanimously adopted financial policies to implement voter-approved changes to the City's Rainy Day Reserve, as well as changes to the General Reserve which would increase the cap from 2% to 3% of revenues and reduce deposit requirements during a recession. These policies are described in further detail below under "Budgetary Reserves." The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; 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 annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

In addition to the five year planning responsibilities established in Proposition A of November 2009 and 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 most recent of these reports, the fiscal year 2016-17 Nine Month Budget Status Report (the "Nine Month Report"), on May 10, 2017. 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. On June 15, 2016 the Controller released the Discussion of the Mayor's fiscal year 2016-17 and fiscal year 2017-18 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal years 2016-17 and 2017-18 Original Budgets total \$4.86 billion and \$5.09 billion, respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2012-13 through 2015-16 and the Original Budgets for fiscal years 2016-17 and 2017-18. See “PROPERTY TAXATION –Tax Levy and Collection,” “OTHER CITY TAX REVENUES” and “CITY GENERAL FUND PROGRAMS AND EXPENDITURES” herein.

The City’s most recently completed Comprehensive Annual Financial Report (the “CAFR,” which includes the City’s audited financial statements) for fiscal year 2015-16 was issued on November 18, 2016. The fiscal year 2015-16 CAFR reported that as of June 30, 2016, the General Fund available for appropriation in subsequent years was $435 million (see Table A-4), of which $172.1 million was assumed in the fiscal year 2016-17 Original Budget and $191.2 million was assumed in the fiscal year 2017-18 Original Budget. This represents a $44 million increase in available fund balance over the $391 million available as of June 30, 2015 and resulted primarily from greater-than-budgeted additional tax revenue, particularly property and business tax revenues, partially offset by weakness in sales and parking tax revenues in fiscal year 2015-16, as well as lower required transfers to support the Department of Public Health. The fiscal year 2016-17 CAFR is scheduled to be completed in late November 2017.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2012-13 through 2017-18
(000s)

	FY 2012-13 Final Revised Budget	FY 2013-14 Final Revised Budget	FY 2014-15 Final Revised Budget	FY 2015-16 Final Revised Budget	FY 2016-17 Original Budget [2]	FY 2017-18 Original Budget [3]
Prior-Year Budgetary Fund Balance & Reserves	$557,097	$674,637	$941,702	$1,236,090	$178,109	$195,221
Budgeted Revenues						
Property Taxes	$1,078,083	$1,153,417	$1,232,927	$1,291,000	$1,412,000	$1,468,000
Business Taxes	452,853	532,988	572,385	634,460	669,450	697,887
Other Local Taxes	733,295	846,924	910,430	1,062,535	1,117,245	1,262,875
Licenses, Permits and Franchises	25,378	25,533	27,129	27,163	28,876	29,187
Fines, Forfeitures and Penalties	7,194	4,994	4,242	4,550	4,580	4,578
Interest and Investment Earnings	6,817	10,946	6,853	10,680	13,970	14,353
Rents and Concessions	21,424	23,060	22,692	15,432	16,140	15,828
Grants and Subventions	721,837	799,188	856,336	900,997	959,099	978,866
Charges for Services	169,058	177,081	210,020	219,628	236,102	236,786
Other	13,384	14,321	21,532	31,084	61,334	27,821
Total Budgeted Revenues	$3,229,323	$3,588,452	$3,864,545	$4,197,529	$4,518,796	$4,736,181
Bond Proceeds & Repayment of Loans	627	1,105	1,026	918	881	881
Expenditure Appropriations						
Public Protection	$1,058,324	$1,102,667	$1,158,771	$1,211,007	$1,298,185	$1,323,268
Public Works, Transportation & Commerce	68,351	79,635	89,270	138,288	176,768	165,498
Human Welfare & Neighborhood Development	670,958	745,277	828,555	892,069	970,679	1,009,995
Community Health	635,960	703,092	703,569	751,416	786,218	824,100
Culture and Recreation	105,580	112,624	119,051	125,253	158,954	158,979
General Administration & Finance	190,151	199,709	214,958	235,647	349,308	333,291
General City Responsibilities [1]	86,527	86,516	116,322	113,672	154,344	164,895
Total Expenditure Appropriations	$2,815,852	$3,029,520	$3,230,496	$3,467,352	$3,894,456	$3,980,026
Budgetary reserves and designations, net	$4,191	$0	$39,966	$9,907	$58,469	$61,014
Transfers In	$195,388	$242,958	$199,175	$235,416	$161,995	$159,211
Transfers Out	(646,018)	(720,806)	(873,592)	(962,511)	(906,856)	(1,050,454)
Net Transfers In/Out	($450,630)	($477,848)	($674,417)	($727,095)	($744,861)	($891,243)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$516,375	$756,825	$862,394	$1,230,182	$0	$1
Variance of Actual vs. Budget	146,901	184,184	373,696	$296,673		
Total Actual Budgetary Fund Balance [3]	$663,276	$941,009	$1,236,090	$1,526,855	$0	$1

[1] 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.
[2] Fiscal year 2016-17 Final Revised Budget will be available upon release of the FY 2016-17 CAFR.
[3] Fiscal year 2017-18 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

The City prepares its budget on a modified accrual basis. 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. The audited General Fund balance as of June 30, 2016 was $1.4 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $4.4 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2012 through June 30, 2016.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2011-12 through 2015-16
(000s)

	2012	2013	2014	2015	2016
Restricted for rainy day (Economic Stabilization account)	$31,099	$23,329	$60,289	$71,904	$74,986
Restricted for rainy day (One-time Spending account)	3,010	3,010	22,905	43,065	45,120
Committed for budget stabilization (citywide)	74,330	121,580	132,264	132,264	178,434
Committed for Recreation & Parks expenditure savings reserv	4,946	15,907	12,862	10,551	8,736
Assigned, not available for appropriation					
Assigned for encumbrances	62,699	74,815	92,269	137,641	190,965
Assigned for appropriation carryforward	85,283	112,327	159,345	201,192	293,921
Assigned for budget savings incentive program (citywide	22,410	24,819	32,088	33,939	58,907
Assigned for salaries and benefits (MOU)	7,100	6,338	10,040	20,155	18,203
Total Fund Balance Not Available for Appropriation	$290,877	$382,125	$522,062	$650,711	$869,272
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies	$23,637	$30,254	79,223	131,970	$145,443
Assigned for General reserve	$22,306	$21,818	-	-	-
Assigned for subsequent year's budget	104,284	122,689	135,938	180,179	172,128
Unassigned for General Reserve	-	-	45,748	62,579	76,913
Unassigned - Budgeted for use second budget year	103,575	111,604	137,075	194,082	191,202
Unassigned - Contingency for second budget year					60,000
Unassigned - Available for future appropriation	12,418	6,147	21,656	16,569	11,872
Total Fund Balance Available for Appropriation	$266,220	$292,512	$419,640	$585,379	$657,558
Total Fund Balance, Budget Basis	$557,097	$674,637	$941,702	$1,236,090	$1,526,830
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$557,097	$674,637	$941,702	$1,236,090	$1,526,830
Unrealized gain or loss on investments	6,838	(1,140)	935	1,141	343
Nonspendable fund balance	19,598	23,854	24,022	24,786	522
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(46,140)	(38,210)	(37,303)	(37,303)	(36,008)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(62,241)	(93,910)	(66,415)	(50,406)	(56,709)
Deferred Amounts on Loan Receivables	(16,551)	(20,067)	(21,670)	(23,212)	-
Pre-paid lease revenue	(2,876)	(4,293)	(5,709)	(5,900)	(5,816)
Total Fund Balance, GAAP Basis	$455,725	$540,871	$835,562	$1,145,196	$1,429,162

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

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2016 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2016." Prior years' audited financial statements can be obtained from the City Controller's website. 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.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years 2011-12 through 2015-16 [1]
(000s)

	2012	2013	2014	2015	2016
Revenues:					
Property Taxes	$1,056,143	$1,122,008	$1,178,277	$1,272,623	$1,393,574
Business Taxes[2]	435,316	479,627	562,896	609,614	659,086
Other Local Taxes	751,301	756,346	922,205	1,085,381	1,054,109
Licenses, Permits and Franchises	25,022	26,273	26,975	27,789	27,909
Fines, Forfeitures and Penalties	8,444	6,226	5,281	6,369	8,985
Interest and Investment Income	10,262	2,125	7,866	7,867	9,613
Rents and Concessions	24,932	35,273	25,501	24,339	46,553
Intergovernmental	678,808	720,625	827,750	854,464	900,820
Charges for Services	145,797	164,391	180,850	215,036	233,976
Other	17,090	14,142	9,760	9,162	22,291
Total Revenues	$3,153,115	$3,327,036	$3,747,361	$4,112,644	$4,356,916
Expenditures:					
Public Protection	$991,275	$1,057,451	$1,096,839	$1,148,405	$1,204,666
Public Works, Transportation & Commerce	52,815	68,014	78,249	87,452	136,762
Human Welfare and Neighborhood Development	626,194	660,657	720,787	786,362	853,924
Community Health	545,962	634,701	668,701	650,741	666,138
Culture and Recreation	100,246	105,870	113,019	119,278	124,515
General Administration & Finance	182,898	186,342	190,335	208,695	223,844
General City Responsibilities	96,132	81,657	86,968	98,620	114,663
Total Expenditures	$2,595,522	$2,794,692	$2,954,898	$3,099,553	$3,324,512
Excess of Revenues over Expenditures	$557,593	$532,344	$792,463	$1,013,091	$1,032,404
Other Financing Sources (Uses):					
Transfers In	$120,449	$195,272	$216,449	$164,712	$209,494
Transfers Out	(553,190)	(646,912)	(720,806)	(873,741)	(962,343)
Other Financing Sources	3,682	4,442	6,585	5,572	4,411
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($429,059)	($447,198)	($497,772)	($703,457)	($748,438)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency	(815)	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$127,719	$85,146	$294,691	$309,634	$283,966
Total Fund Balance at Beginning of Year	$328,006	$455,725	$540,871	$835,562	$1,145,196
Total Fund Balance at End of Year -- GAAP Basis [3]	$455,725	$540,871	$835,562	$1,145,196	$1,429,162
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$133,794	$135,795	$178,066	$234,273	$249,238
-- Budget Basis	$220,277	$240,410	$294,669	$390,830	$435,202

[1] Summary of financial information derived from City CAFRs. 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] Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

[3] Total fiscal year 2012-13 amount is comprised of $122.7 million in assigned balance subsequently appropriated for use in fiscal year 2013-14 plus $117.8 million unassigned balance available for future appropriations.

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 Plan 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. The City updates the Plan annually. The most recently adopted Plan, for fiscal years 2015-16 through 2019-20, was adopted by the Board of Supervisors and signed by the Mayor on April 30, 2015.

On December 16, 2016, the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office issued a proposed Plan for fiscal year 2017-18 through fiscal year 2021-22, to be considered by the Board of Supervisors. The proposed Plan projects shortfalls of $119 million, $283 million, $585 million, $713 million, and $848 million cumulatively for fiscal years 2017-18 through fiscal year 2021-22, respectively. On March 23, 2017, the proposed Plan was updated with the most recent information on the City's fiscal condition. For General Fund Supported operations, the updated Plan projects budgetary shortfalls of $87 million, $201 million, $612 million, $774 million, and $907 million cumulatively over the next five fiscal years. This represents a cumulative increase in shortfall of $59 million from the prior projection.

The updated Plan projects continued growth in General Fund revenues of 11%, primarily composed of growth in local tax sources, offset by projected expenditure increases of 30%, primarily composed of growth in employee salaries and benefits, citywide operating expenses, and Charter mandated baselines and reserves. The Plan presents an array of fiscal strategies to constrain this increase in expenditures and bring revenues and expenditures into balance. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls are would decrease.

The City currently projects growth in General Fund sources of $541 million over the Plan period, and expenditure growth of $1.4 billion. Growth in salaries and benefits account for 51% or $732 million of the cumulative five year shortfall. Growth in citywide operating costs account for 31% or $451 million of the cumulative five year shortfall. Growth in Charter mandated baselines and reserves account for 15% or $214 million of the cumulative five year shortfall. Growth in individual department costs account for 4% or $52.4 million of the cumulative five year shortfall. These figures incorporate the key assumptions from the December 2016 plan, including:

- **Continued Increases in Employer Contribution Rates to City Retirement System**: Consistent with the December 2016 proposed Plan, the March 2017 update anticipates increased retirement costs. This is in contrast to the pension relief anticipated at the time of the proposed Plan from December 2014, when decreased pension contributions were expected after the amortization of investment losses during the financial crisis. The increase in employer contribution rates is due to three main factors: lower than expected actual fiscal year 2015-16 investment earnings; updated demographic assumptions, which show that retirees are living longer and collecting pensions longer than previously expected, and an appellate court ruling against the City which found that voter-adopted changes to the conditions under which retirees could receive a supplemental COLA violated retirees' vested rights. Current projections are marginally improved since the December 2016 Plan, as they incorporate the SFERS Retirement Board approved results of their July 1, 2016 actuarial funding valuation, resulting in slightly lower than previously assumed SFERS contribution rates paid by the City for miscellaneous employees. In addition, on December 21, 2016, the CalPERS Board of Administration approved lowering their discount rate assumption, the long-term rate of return , from 7.5% to 7% over three years. The March 2017 Plan update incorporates increased contribution rates by the City for CalPERS employees, as a result of the discount rate changes beginning in FY 2018-19.

- **Voter Adopted Revenue and Spending Requirements:** Consistent with the December 2016 proposed Plan, the March 2017 update continues to assume several new revenue and expenditure requirements that have been adopted by voters in 2016: a Recreation and Parks baseline (June 2016 Proposition B), a Dignity Fund baseline (November 2016 Proposition I), and a Street Tree Maintenance Fund baseline (November 2016 Proposition E). In addition to these spending requirements, the voters rejected the proposed General Sales Tax (November 2016 Proposition K) and adopted an increase to the Real Property Transfer Tax rate (November 2016 Proposition W), as well as a tax on the distribution of sugar-sweetened beverages (November 2016 Proposition V).

The March 2017 update also incorporates the following key changes from the December 2016 Plan:

- **Two-Year Contract Extensions for Most Miscellaneous Employees**: In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit, as projected in the March 2017 update to the Five Year Financial Plan, exceeds $200 million.

- **Updates to the City's Ten-Year Capital Plan**: On February 28, 2017, the City's Proposed Ten-Year Capital Plan for fiscal years 2018-2027 was introduced to the Board of Supervisors. The assumptions in the Capital Plan are reflected in the March update to the Five Year Financial Plan.

Importantly, the updated Plan does not assume any losses of federal or state revenues, except for formula-driven reductions. Although proposals that would have significant negative impact on the City budget are pending at the state and federal level, it is unclear which will ultimately be adopted and what the specific impacts will be.

While the projected shortfalls in the updated Plan reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, San Francisco's Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

The December 2016 proposed Plan and the March update do not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of expansion and the current economic expansion began over seven years ago. For this reason, the December 2016 proposed Plan includes a recession scenario, which reflects a revenue shortfall of $960 million during the forecast period, based on the average rates of revenue declines experienced in major tax revenue sources during the previous two recessions.

City Budget Adopted for Fiscal Years 2016-17 and 2017-18

On August 1, 2016, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2017 and June 30, 2018. This is the fifth two-year budget for the entire City. The adopted budget closed the $100 million and $240 million General Fund shortfalls for fiscal year 2016-17 and fiscal year 2017-18 identified in the City's December 2015 Plan update through a combination of increased revenues and expenditures savings.

The Original Budget for fiscal year 2016-17 and fiscal year 2017-18 totals $9.59 billion and $9.72 billion respectively, representing year over year increases of $360 million and $50 million. The General Fund portion of each year's budget is $4.86 billion in fiscal year 2016-17 and $5.09 billion in fiscal year 2017-18 representing increases of $272 million and $232 million. There are 30,626 funded full time positions in the fiscal year 2016-17 Original Budget and 30,903 in the fiscal year 2017-18 Original Budget representing year-over-year increases of 1,074 and 277 positions, respectively.

The Original Budget for fiscal years 2016-17 and 2017-18 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), 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.

Based on the revenue and expenditure projections contained in the December 2016 proposed plan, on December 8, 2016, the Mayor's Office issued budget instructions to departments requiring expenditure reductions of 3.0% in fiscal year 2017-18 and an additional reduction of 3.0% in fiscal year 2018-19.

Other Budget Updates

On May 10, 2017, the Controller's Office issued a Nine-Month Budget Status report (the "Nine-Month Report") which projected the General Fund would end fiscal year 2016-17 with a balance of $396.5 million. This represents a $96.7 million improvement from the projections contained in the Six-Month Report. The fund balance projection includes $203.1 million in starting fund balance, a projected $141.6 million revenue surplus, $158.1 million savings from departmental operations, offset by $104.4 million in reserve deposits and $1.8 million in increased contributions to baselines. The citywide revenue improvements are driven primarily by continued increases in property and property transfer tax revenues, offset by shortfalls in hotel, parking, and sales tax. The improvement in departmental operations is driven primarily by revenue surplus in the Zuckerberg San Francisco General Hospital (ZSFG).

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the budget for fiscal years 2016-17 and 2017-18, and thus changes in State revenues could have a significant 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 June 27, 2016, the Governor signed the 2016-17 State Budget, spending $170.9 billion from the General Fund and other State funds. General Fund appropriations total $122.5 billion, $6.9 billion or 6% more than the final 2015-16 spending level. An increase in State revenues boosted 2015-16 spending above the levels approved by the State Legislature in June 2015. The budget agreement balances new spending with targeted one-time expenditures and preparations for the next recession. The budget makes significant investments in education, including $2.6 billion through the Local Control Funding Formula, as well as $1.4 billion in one-time funding for K-14 schools. Additionally, the state budget includes new commitments to expand health care and social safety net programs. The budget also allocates funding for one-time infrastructure projects for state, university, and community college facilities. Finally, the budget prepares for the next recession by increasing deposits to the Rainy Day Fund to a balance $6.7 billion (including a one-time payment of $2 billion), setting an additional $1.8 billion to protect the budget from unexpected revenue shortfalls, and continuing to pay down Proposition 2 debt and liabilities.

On May 11, 2017, the Governor released the fiscal year 2017-18 Revised State Budget, which re-bases the In-Home Supportive Services Maintenance-of-Effort (IHSS MOE) agreement negotiated in 2012. If implemented as proposed, this would shift $592 million in State General Fund costs to counties in fiscal year 2017-18, which would increase by five percent in fiscal year 2018-19 and seven percent in fiscal year 2019-20 and beyond. The increases are partially offset by $1.1 billion in state General Fund subsidies to counties over the next four years, as well as repayment forgiveness for any sales tax amounts counties may owe the state due to Board of Equalization misallocation of revenues. The estimated cost to San Francisco in fiscal year 2017-18 is $11.1 million, and is expected to increase in future years. In addition, the May revision includes a reductions to CalWORKs block grants, which are estimated to cost the City $4.5 million annually.

Impact of Federal Government on Local Finances

The City is continuing to assess the potential material adverse changes in current and anticipated federal funding under the new presidential administration and Congress. These changes include, for example, potential increased costs associated with changes to or termination or replacement of the Affordable Care Act, potential withholding of federal grants or other federal funds flowing to "sanctuary jurisdictions" and suspension or termination of other federal grants for capital projects. The scope and timing of such changes will not be known until the administration concretely proposes specific changes or Congress acts on such proposals, as applicable. As to potential withholding of funds for "sanctuary cities" the City has challenged in federal court the Presidential Executive Order that would cut funding from "sanctuary jurisdictions," and the federal court has entered a preliminary injunction enjoining the executive order. Litigation is proceeding and final disposition of the case may come by end of 2018. The fiscal year 2016-17 Original Budget includes about $1.2 billion in federal payments, of which about $1 billion is for entitlement programs mostly administered by the City's Human Services Agency and Department of Public Health. The City also receives about $800 million in multi-year federal grants. The City will continue to monitor federal budget and policy changes, but cannot at this time determine the financial impacts of any proposed federal budget changes, or whether the budget will include a reserve against anticipated loss of federal funding.

Budgetary Reserves

Under the 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. 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. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the 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. The Original Budget for fiscal years 2016-17 and 2017-18 includes starting balances of $90.4 million and $106.5 million for the General Reserve for fiscal years 2016-17 and 2017-18, respectively. 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 during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn.

In addition to the operating cash and general reserves the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget for fiscal years 2016-17 and 2017-18 includes $16.6 million in fiscal year 2016-17 and $19.3 million in fiscal year 2017-18), and the Litigation Reserve (Original Budget for fiscal years 2016-17 and 2017-18 includes $11 million in each year). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into two accounts within the Rainy Day Reserve and for other lawful governmental purposes. 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") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be 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;

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.

Fiscal year 2015-16 revenue exceeded the deposit threshold by $8.2 million generating a deposit of $3.1 million to the City Reserve, $1.0 million to the School Reserve, and $2.1 million to the One-Time or Capital Expenditures account. Deposits to the Rainy Day Reserve's Economic Stabilization account 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 allocated to capital and other one-time expenditures.

Monies in the City Reserve are available to provide a budgetary cushion 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 Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. The fiscal year 2015-16 combined ending balance of the One-Time and Economic Stabilization portions of the Reserve was $120.1 million. There are no projected deposits or withdrawals assumed in the fiscal year 2016-17 and 2017-18 budgets.

Budget Stabilization Reserve

On April 13, 2010, the Board of Supervisors unanimously approved the Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: the General Reserve, described above, and the Budget Stabilization Reserve.

The Budget Stabilization Reserve augments the existing 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 five-year annual average (controlling 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.

Fiscal year 2015-16 RPTT receipts exceeded the five-year annual average by $22.3 million and ending general fund unassigned fund balance was $47.5 million, triggering a $52.3 million deposit. However, $6.2 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a $46.2 million deposit to the Budget Stabilization Reserve and leaving an ending balance to $178.4 million. The fiscal years 2016-17 and 2017-18 budgets assume no reserve deposits given projected RPTT receipts. The Controller's Office determines deposits in October of each year based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately $437 million for fiscal year 2015-16. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. 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.

THE SUCCESSOR AGENCY

As described below, the Successor Agency was established by the Board of Supervisors of the City following dissolution of the former San Francisco Redevelopment Agency (the "Former Agency") pursuant to the Dissolution Act. Within City government, the Successor Agency is titled "The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency." Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website as part of the City's website. The information on such websites is not incorporated herein by reference.

Authority and Personnel

The powers of the Successor Agency are vested in its governing board (the "Successor Agency Commission"), referred to within the City as the "Commission on Community Investment and Infrastructure," which has five members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms (provided that two members have initial two-year terms). Once appointed, members serve until replaced or reappointed.

The Successor Agency currently employs approximately 46 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed in February 2012. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Successor Agency General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans, is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs.

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. 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, all 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 agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the "Establishing Resolution") adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City's role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

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 Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (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 in place of the Former Agency Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency and (iv) established the composition and terms of the members of the Successor Agency Commission.

As discussed below, many actions of the Successor Agency are subject to approval by an "oversight board" and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

Oversight Board

The Oversight Board was formed pursuant to Establishing Resolution adopted by the City's Board of Supervisors and signed by the Mayor on January 26, 2012. The Oversight Board is governed by a seven-member governing board, with four members appointed by the Mayor, and one member appointed by each of the Bay Area Rapid Transit District ("BART"), the Chancellor of the California Community Colleges, and the County Superintendent of Education.

Department of Finance Finding of Completion

The Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, a successor agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes.

On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affording housing funds, determined by the State Department of Finance in the amount of $10,577,932, plus $1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of $959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

The Dissolution Act requires that any assets of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The Dissolution Act further requires that the State Controller review any such transfer. The State Controller's Office issued their Asset Transfer Review in October 2014. The review found $746,060,330 in assets transferred to the City after January 1, 2011, including unallowable transfers to the City totaling $666,830, or less than 1% of transferred assets. The City returned $666,830 to OCII to comply with the State Controller's Office review.

Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors of the City 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.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four 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 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area ("YBC"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency.

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 30^{th}, the City 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. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect 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-5 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. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. 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 Successor Agency (also known as the Office of Community Investment and Infrastructure or OCII). 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, causing a loss of 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. The Successor Agency received $122 million of property tax increment in fiscal year 2015-16, diverting about $69 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.07% for fiscal year 2015-16. This table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with statistical reports provided to the State. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 212 for fiscal year 2015-16 compared to 102 for fiscal year 2014-15. The trustee deeds recorded in fiscal year 2011-12, fiscal year 2012-13 and fiscal year 2013-14 were 804, 363 and 187, respectively. In the first half of fiscal year 2016-17 there were 126 Notices of Trustee's Sales deeds recorded.

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TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2012-13 through 2016-17
(000s)

Fiscal Year	Net Assessed Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2012-13	$165,043,120	4.0%	1.169	$1,997,645	$1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.83%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.83%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.07%
2016-17	211,532,524 [1]	8.8%	1.179	2,494,392	Not available	Not available

1 Based on initial assessed valuations for fiscal year 2016-17. 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 2015-16 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 State Controller's Office). Total Tax Levy for fiscal year 2016-17 is based on NAV times the 1.1792% tax rate.

Note: This table has been modified from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

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

At the start of fiscal year 2016-17, the total net assessed valuation of taxable property within the City was $211.5 billion. Of this total, $197.8 billion (93.5%) represents secured valuations and $13.8 billion (6.5%) 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 any 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. Every year, some taxpayers appeal the Assessor's determination of their property's assessed value, and some of 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 appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been 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, SFCCD, BAAQMD, and BART share proportionately in the rest of 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 addition, 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 2011-12 through 2015-16 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2011-12 through 2015-16
(000s)

Fiscal Year	Amount Refunded
2011-12	$53,288
2012-13	36,744
2013-14	25,756
2014-15	16,304
2015-16	16,199

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

As of July 1, 2016, the Assessor granted 7,055 temporary reductions in property assessed values worth a total of $128.7 million (equating to a reduction of approximately $1.52 million in general fund taxes), compared to 8,598 temporary reductions worth $425.1 million (equating to a reduction of approximately $5.03 million in general fund taxes) as of July 1, 2015, and 10,726 temporary reductions worth $640.3 million (equating to a reduction of approximately $7.52 million in general fund taxes) as of July 1, 2014. The July 2016 temporary reductions of $128.7 million represent .06% of the fiscal year 2016-17 Net Assessed Valuation of $211.5 billion shown in Table A-5. 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 of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of December 31, 2016, the total number of open appeals before the AAB was 1,754, compared to 2,931 open AAB appeals as of December 31, 2015. In the first half of fiscal year 2016-17 there were 1,242 appeals filed. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is $13.3 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of about $157.29 million (based upon the fiscal year 2015-16 tax rate) with an impact on the General Fund of about $67.9 million. 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.

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 Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2016-17 is estimated to produce about $2.6 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $1.4 billion into the General Fund and $176.2 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about $163.1 million and $30.6 million, respectively, and the local ERAF is estimated to receive $536.6 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency will receive about $118 million. The remaining portion is 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.

General Fund property tax revenues in fiscal year 2015-16 were $1.39 billion, representing an increase of $102.6 million (7.9%) over fiscal year 2015-16 Original Budget and $121.0 million (9.5%) over fiscal year 2014-15 actual revenue. Property tax revenue is budgeted at $1.4 billion in fiscal year 2016-17 representing an increase of $18.4 million (1.3%) over fiscal year 2015-16 actual receipts and $1.5 billion in fiscal year 2017-18 representing an annual increase of $56.0 million (4.0%) over fiscal year 2016-17 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2015-16, and budgeted receipts for fiscal years 2016-17 and fiscal year 2017-18.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift. The State's Triple Flip ended in fiscal year 2015-16, eliminating the sales tax in-lieu revenue from property taxes from succeeding fiscal years and shifting it to the local sales tax revenue line.

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 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. This apportionment 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-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2011-12 through 2015-16
(000s)

Year Ended	Amount Funded
2011-12	$17,980
2012-13	18,341
2013-14	19,654
2014-15	20,569
2015-16	22,882

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, 2016 are shown in Table A-8. 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-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2016
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
Elm Property Venture LLC	101 California St	0263 011	Commercial Office	$995,506	0.51%
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	978,872	0.50%
PPF Paramount One Market Plaza Owner LP	1 Market St	3713 007	Commercial Office	801,910	0.41%
Union Investment Real Estate GMBH	555 Mission St	3721 120	Commercial Office	473,755	0.24%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	447,990	0.23%
SPF China Basin Holdings LLC	185 Berry St	3803 005	Commercial Office	440,275	0.23%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	413,190	0.21%
Wells Reit II-333 Market St LLC	333 Market St	3710 020	Commercial Office	411,153	0.21%
Post Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	402,849	0.21%
PPF OFF One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	382,166	0.20%
					2.95%

1 Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.
2 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).
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 2016-17 valuation of property assessed by the State Board of Equalization is $3.1 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.

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 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases 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 increases 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 and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The new 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 will apply 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 2015-16 was $660.9 million (all funds), representing an increase of $49.0 million (8.0%) from fiscal year 2014-15. Business tax revenue is budgeted at $671.4 million in fiscal year 2016-17 representing an increase of $10.5 million (1.6%) over fiscal year 2015-16 revenue.

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TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2011-12 through 2017-18
All Funds
(000s)

Fiscal Year	Revenue	Change	
2011-12	$437,677	$45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14	563,406	83,276	17.3%
2014-15	611,932	48,525	8.6%
2015-16	660,926	48,994	8.0%
2016-17 budgeted	671,450	10,524	1.6%
2017-18 budgeted	699,987	28,537	4.3%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues. Figures for fiscal years 2011-12 through 2015-16 are audited actuals. Figures for fiscal year 2016-17 and 2017-18 are Original Budget amounts.

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 monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, increased by more than 7% annually for each of the last six years, driving an 87% increase in hotel tax revenue between fiscal years 2010-11 and 20115-16. Increases in RevPAR are budgeted to continue at a slower pace through fiscal year 2017-18. Fiscal year 2015-16 transient occupancy tax was $392 million, representing a $6.6 million decrease from fiscal year 2014-16 revenue. Fiscal year 2016-17 is budgeted to be $414 million, an increase of $21.5 million (5.5%) from fiscal year 2015-16. Fiscal year 2017-18 is budgeted to be $440 million, an increase of $26 million (6%) from fiscal year 2015-16 budget.

San Francisco and a number of other jurisdictions in California and the United States are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately $88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego. That ruling was issued on December 12, 2016 but did not resolve the matters that are the subject to the City's appeal. The City's appeal is proceeding, but the schedule for that appeal is not yet known.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2011-12 through 2017-18
(000s)

Fiscal Year[1]	Tax Rate	Revenue	Change	
2011-12	14.0%	$239,568	$24,056	11.2%
2012-13[2]	14.0%	241,961	2,393	1.0%
2013-14	14.0%	313,138	71,177	29.4%
2014-15[2]	14.0%	399,364	86,226	27.5%
2015-16	14.0%	392,686	(6,678)	-1.7%
2016-17 budgeted	14.0%	414,200	21,514	5.5%
2017-18 budgeted	14.0%	440,205	26,004	6.3%

[1]Figures for fiscal year 2011-12 through fiscal year 2015-16 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for fiscal year 2016-17 and 2017-18 are Original Budget amounts.

[2]Amounts in fiscal year 2012-13 and FY 2014-15 are substantially adjusted due to multi-year audit and litgation resolutions.

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

Real Property Transfer Tax

A tax 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 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 V 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. This change is projected to result in an additional $18.2 million in transfer tax revenue in fiscal year 2016-17 and $34.8 million in fiscal year 2017-18, and is reflected in the December 2016 projected Five Year Plan projections.

Real property transfer tax ("RPTT") revenue in fiscal year 2015-16 was $269 million, a $46 million (-14.5%) decrease from fiscal year 2014-15 revenue. Fiscal year 2016-17 RPTT revenue is budgeted to be $235 million, approximately $34 million (-13%) less than the revenue received in fiscal year 2015-16 primarily due to the assumption that fiscal year 2014-15 represents the peak in high value property transactions during the current economic cycle. This slowing is budgeted to continue into fiscal year 2017-18 with RPTT revenue budgeted at $225 million, a reduction of $10 million (-4%).

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2011-12 through 2017-18
(000s)

Fiscal Year[1]	Revenue	Change	
2011-12	$233,591	$98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14	261,925	29,195	12.5%
2014-15	314,603	52,678	20.1%
2015-16	269,090	(45,513)	-14.5%
2016-17 budgeted	235,000	(34,090)	-12.7%
2017-18 budgeted	225,000	(10,000)	-4.3%

[1]Figures for fiscal year 2011-12 through 2015-16 are audited actuals. Figures for fiscal year 2016-17 and 2017-18 are Original Budget amounts.

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

Sales and Use Tax

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 rate of tax is one percent; however, between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of this, and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1% local tax is recorded in the General Fund.

Local sales tax collections in fiscal year 2015-16 were $168 million, an increase of $28 million (20%) from fiscal year 2014-15 sales tax revenue. Moderate revenue growth is expected to continue during fiscal year 2016-17 with $200.1 million budgeted, an increase of $8 million (5%) from fiscal year 2015-16. Fiscal year 2017-18 revenue is budgeted to be $208 million, an increase of $7 million (3.5%) from fiscal year 2016-17 budget.

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. In recent years online retailers have contributed significantly to sales tax receipts. The budget assumes no changes from State laws affecting sales tax reporting for these online retailers. Sustained growth in sales tax revenue will depend on changes to state and federal law and order fulfillment strategies for online retailers.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2011-12 through 2015-16, and budgeted receipt for fiscal year 2016-17 and 2017-18, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State through the fiscal year 2015-16.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2011-12 through 2017-18
(000s)

Fiscal Year*	Tax Rate	City Share	Revenue	Change	
2011-12	8.50%	0.75%	$117,071	$10,769	10.1%
2011-12 adj.[1]	8.50%	1.00%	155,466	14,541	10.3%
2012-13	8.50%	0.75%	122,271	5,200	4.4%
2012-13 adj.[1]	8.50%	1.00%	162,825	7,359	4.7%
2013-14 [2]	8.75%	0.75%	133,705	11,434	9.4%
2013-14 adj.[1]	8.75%	1.00%	177,299	14,474	8.9%
2014-15 [2]	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj.[1]	8.75%	1.00%	186,891	9,592	5.4%
2015-16 [2]	8.75%	0.75%	167,915	27,769	19.8%
2015-16 adj.[2]	8.75%	1.00%	204,118	17,227	9.2%
2016-17 *budgeted* [3]	8.75%	1.00%	200,060	(4,058)	-2.4%
2017-18 *budgeted* [3]	8.50%	1.00%	207,060	7,000	3.5%

*Figures for fiscal year 2011-12 through fiscal year 2015-16 are audited actuals. Figures for fiscal years 2016-17 and 2017-18 are Original Budget amounts.

[1] Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 through December 31, 2015 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

[2] The 2015-16 adjusted figure includes the State's final payment to the Counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through June 2015.

[3] In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

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

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol ("VOIP"). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2015-16 Utility User Tax revenues were $99 million, representing no change from fiscal year 2014-15 revenue. Fiscal year 2016-17 revenue is budgeted to be $94.3 million, representing expected decline of $4.4 million (4.4%) from fiscal year 2015-16. Fiscal year 2017-18 Utility User Tax revenues are budgeted at $95.5 million, a $1.2 million increase from fiscal year 2016-17 budget.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenue for fiscal year 2015-16 was $44 million, a $5 million (-11%) decrease over the previous fiscal year due to a large one-time payment in fiscal year 2014-15 related to a prior year audit finding. In fiscal year 2016-17, the Access Line Tax revenue is budgeted at $47 million, a $3 million (-8%) decrease from fiscal year 2015-16 revenue. Fiscal year 2017-18 revenue is budgeted at $48 million a $1 million (3%) increase from fiscal year 2016-17 budget. Budgeted amounts in fiscal year 2016-17 and fiscal year 2017-18 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

Sugar Sweetened Beverage Tax

On November 9, 2016 voters adopted Proposition V, a one cent per ounce tax on the distribution of sugary beverages. This measure takes effect on January 1, 2018 and is expected to raise $15 million in annual revenue.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities. Parking Tax revenue is positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections.

Fiscal year 2015-16 Parking Tax revenue was $86.0 million, $1.2 million (-1%) below fiscal year 2014-15 revenue. Parking tax revenue is budgeted at $92.8 million in fiscal year 2016-17, an increase of $6.8 million (7%) over the fiscal year 2015-16. In fiscal year 2017-18, Parking Tax revenue is budgeted at $95.2 million, $2.4 million (3%) over the fiscal year 2016-17 budgeted amount. Parking tax growth estimates are commensurate with expected changes to the CPI over the same period.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment and 2011 Public Safety Realignment.

> **1991 Health & Welfare Realignment**. In fiscal year 2015-16, the General Fund share of 1991 realignment revenue was $176 million. In fiscal year 2016-17, it is budgeted at $180 million, or $3 million (2%) more than the fiscal year 2015-16 actual. This growth is attributed to a $6 million (5%) increase in sales tax distribution and a $3 million (8%) decrease in the VLF distribution due to the base allocation changes and projected fiscal year 2015-16 growth payments. The fiscal year 2017-18 General Fund share of revenue is budgeted at $176 million, a net annual decrease of $3 million (-2%) in sales tax and VLF distributions based on the projected growth payments.
>
> Increases in both years are net of State allocation reductions due to implementation of the Affordable Care Act (ACA) equal to assumed savings for counties as a result of treating fewer uninsured patients. The State's fiscal year 2015-16 Budget included assumed Statewide county savings of $742 million and the fiscal year 2016-17 Budget included assumed savings of $565 million as a result of ACA implementation, and redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. Reductions to the City's allocation are assumed equal to $11.9 million in both years. Future budget adjustments could be necessary depending on final State determinations of ACA savings amounts, which are expected in January 2017 and January 2018 for fiscal year 2014-15 and fiscal year 2015-16, respectively.

Public Safety Realignment. 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. In fiscal year 2015-16, this revenue source totaled $40 million. Based on the State's budget, this revenue is budgeted at $41 million in fiscal year 2016-17, a $1 million (2%) increase over the fiscal year 2015-16 actual. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2017-18 budget assumes a $2 million (6%) increase from fiscal year 2016-17 budget.

Public Safety Sales Tax

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. Revenue from this source for fiscal year 2015-16 was $97 million, an increase of $3 million (3%) from fiscal year 2014-15 revenues. This revenue is budgeted at $102 million in fiscal year 2016-17 and $106 million in fiscal year 2017-18, representing annual growth of $5 million (5%) and $4 million (4%) respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. 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. The county ratio for San Francisco in fiscal year 2015-16 is 3% and is expected to remain at that level in fiscal year 2016-17 and fiscal year 2017-18.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City received $588 million of funds in fiscal year 2015-16 from grants and subventions from State and federal governments to fund public health, social services and other programs in the General Fund. This represents a $17 million (3%) increase from fiscal year 2014-15. The fiscal year 2016-17 budget is $637 million, an increase of $49 million (8%).

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2015-16 was $234 million and is projected to be largely unchanged in the fiscal year 2016-17 and 2017-18 budget.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide 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 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 approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is $968 million in fiscal year 2016-17 and $1 billion in fiscal year 2017-18. As noted above, voters approved additional spending requirements on the November 2016 ballot, which are incorporated into five-year projections and will be included in the fiscal year 2017-18 budget.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2011-12 through 2017-18
(000s)

Major Service Areas	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget	FY 2014-15 Original Budget	FY 2015-16 Original Budget	FY 2016-17 Original Budget	FY 2017-18 Original Budget
Public Protection	$998,237	$1,058,689	$1,130,932	$1,173,977	$1,223,981	$1,298,185	$1,323,268
Human Welfare & Neighborhood Development	672,834	670,375	700,254	799,355	857,055	176,768	165,498
Community Health	575,446	609,892	701,978	736,916	787,554	970,679	1,009,995
General Administration & Finance	199,011	197,994	244,591	293,107	286,871	786,218	824,100
Culture & Recreation	100,740	111,066	119,579	126,932	137,062	158,954	158,979
General City Responsibilities	110,725	145,560	137,025	158,180	186,068	349,308	333,291
Public Works, Transportation & Commerce	51,588	67,529	80,797	127,973	161,545	154,344	164,895
Total*	$2,708,581	$2,861,106	$3,115,155	$3,416,440	$3,640,137	$3,894,456	$3,980,026

*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. These departments are budgeted to receive $450 million, $241 million and $170 million of General Fund support respectively in fiscal year 2016-17 and $460 million, $245 million, and $178 million respectively in fiscal year 2017-18. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive $219 million of General Fund support in the fiscal year 2016-17 and $233 million in fiscal year 2017-18.

The Public Health Department is budgeted to receive $608 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2016-17 and $712 million in fiscal year 2017-18.

For budgetary purposes, enterprise funds 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 Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be $74.3 million in fiscal year 2016-17 and $76.2 million in the fiscal year 2017-18.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending. This table reflects spending requirements at the time the fiscal year 2016-17 and fiscal year 2017-18 budget was finally adopted. It does not include spending requirements subsequently adopted by voters in November 2016, which require the City to maintain street trees (Proposition E), estimated at $19 million annually, and fund services for seniors and adults with disabilities (Proposition I), estimated at $38 million in fiscal year 2016-17.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO

Baselines & Set-Asides
Fiscal Year 2016-17
(in Millions)

Baselines & Set-Asides	**FY 2016-17 Required Baseline**	**FY 2016-17 Original Budget**
Municipal Transportation Agency (MTA)	$212.0	$212.0
MTA Baseline - Population Adjustment	$38.0	$38.0
Parking and Traffic Commission	$79.5	$79.5
Children's Services	$153.1	$157.5
Transitional Aged Youth	$18.4	$23.2
Library Preservation	$72.5	$72.5
Public Education Baseline Services	$9.2	$9.2
Recreation and Park Maintenance of Effort	$67.4	$67.4
Public Education Enrichment Funding		
Unified School District	$64.6	$64.6
Office of Early Care and Education	$32.3	$32.3
City Services Auditor	$16.3	$16.3
Human Services Homeless Care Fund	$16.7	$16.7
Property Tax Related Set-Asides		
Municipal Symphony	$2.6	$2.6
Children's Fund Set-Aside	$72.6	$72.6
Library Preservation Set-Aside	$51.8	$51.8
Open Space Set-Aside	$51.8	$51.8
Staffing and Service-Driven		
Police Minimum Staffing	Requirement likely met	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Requirement met	
Total Baseline Spending	**$958.90**	**$968.08**

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

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances and four Rescue Captains (medical supervisors).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling $4.7 billion in the fiscal year 2016-17 Original Budget (all-funds), and $4.9 billion in the fiscal year 2017-18 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.2 billion in the fiscal year 2016-17 Original Budget and $2.3 billion in the fiscal year 2017-18 Original 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-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2016-17 and 2017-18 includes 30,626 and 30,903 budgeted City positions, respectively. 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.

The 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, even managers, are represented by labor organizations. Further, the City Charter provides a unique impasse resolution procedure. In most cities and counties, when labor organizations cannot reach agreement on a new contract, there is no mandatory procedure to settle the impasse. However, in San Francisco, nearly all of the City's contracts advance to interest arbitration in the event the parties cannot reach agreement. This process provides a mandatory ruling by an impartial third party arbitrator, who will set the terms of the new agreement. Except for nurses and less than one-hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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 police, fire and sheriff's employees.

In May 2014, the City negotiated three-year agreements (for fiscal years 2014-15 through 2016-17) with most of its labor unions. In general, the parties agreed to: (1) annual wage increase schedules of 3% (October 11, 2014), 3.25% (October 10, 2015), and 3.25% (July 1, 2016); and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures to rebalance required premiums between the two main health plans offered by the City. These changes to health contributions build reforms agreed to by most unions during earlier negotiations.

In June 2013, the City negotiated a contract extension with the Police Officers' Association ("POA"), through June 30, 2018, that includes wage increases of 1% on July 1, 2015; 2% on July 1, 2016; and 2% on July 1, 2017. In addition, the union agreed to lower entry rates of pay for new hires in entry Police Officer classifications. In May 2014, the City negotiated a contract extension with the Firefighters Association through June 30, 2018, which mirrored the terms of POA agreement.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. In May 2014, the MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year contract that runs through June 30, 2017. Provisions in the contract include 14.25% in wage increases in exchange for elimination of the 7.5% employer retirement pick-up.

In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit for fiscal year 2018-2019, as projected in the March, 2018 update to the Five Year Financial Plan, exceeds $200 million. Existing agreements with police officers, firefighters, and physicians expire in June 2018; the agreement with supervising nurses expires in June, 2019.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2016

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	466	30-Jun-19
Bricklayers, Local 3/Hod Carriers, Local 36	18	30-Jun-19
Building Inspectors Association	96	30-Jun-19
Carpenters, Local 22	115	30-Jun-19
Carpet, Linoleum & Soft Tile	3	30-Jun-19
CIR (Interns & Residents)	-	30-Jun-19
Cement Masons, Local 580	38	30-Jun-19
Deputy Sheriffs Association	801	30-Jun-19
District Attorney Investigators Association	45	30-Jun-19
Electrical Workers, Local 6	914	30-Jun-19
Glaziers, Local 718	9	30-Jun-19
International Alliance of Theatrical Stage Employees, Local 16	27	30-Jun-19
Ironworkers, Local 377	15	30-Jun-19
Laborers International Union, Local 261	1,114	30-Jun-19
Municipal Attorneys' Association	453	30-Jun-19
Municipal Executives Association	1,287	30-Jun-19
MEA - Police Management	6	30-Jun-18
MEA - Fire Management	9	30-Jun-18
Operating Engineers, Local 3	63	30-Jun-19
City Workers United	132	30-Jun-19
Pile Drivers, Local 34	37	30-Jun-19
Plumbers, Local 38	347	30-Jun-19
Probation Officers Association	154	30-Jun-19
Professional & Technical Engineers, Local 21	6,131	30-Jun-19
Roofers, Local 40	13	30-Jun-19
S.F. Institutional Police Officers Association	2	30-Jun-19
S.F. Firefighters, Local 798	1,837	30-Jun-18
S.F. Police Officers Association	2,506	30-Jun-18
SEIU, Local 1021	12,471	30-Jun-19
SEIU, Local 1021 Staff & Per Diem Nurses	1,723	30-Jun-19
SEIU, Local 1021 H-1 Rescue Paramedics	4	30-Jun-18
Sheet Metal Workers, Local 104	45	30-Jun-19
Sheriff's Managers and Supervisors Association	99	30-Jun-19
Stationary Engineers, Local 39	692	30-Jun-19
Supervising Probation Officers, Operating Engineers, Local 3	31	30-Jun-19
Teamsters, Local 853	171	30-Jun-19
Teamsters, Local 856 (Multi-Unit)	115	30-Jun-19
Teamsters, Local 856 (Supervising Nurses)	126	30-Jun-19
TWU, Local 200 (SEAM multi-unit & claims)	364	30-Jun-19
TWU, Local 250-A Auto Service Workers	180	30-Jun-19
TWU, Local 250-A Transit Fare Inspectors	54	30-Jun-19
TWU-250-A Miscellaneous	107	30-Jun-19
TWU-250-A Transit Operators	2,658	30-Jun-19
Union of American Physicians & Dentists	205	30-Jun-18
Unrepresented Employees	134	30-Jun-18
	35,817 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

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

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

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, with responsibility extending to all divisions of the Retirement System. 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.

In 2014, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In July 2014, the IRS issued a favorable Determination Letter for SFERS. 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.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the SFUSD, the SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2016 is 40,051, compared to 37,821 at the most recent valuation date of July 1, 2015. Active membership at July 1, 2016 includes 6,617 terminated vested members and 1,028 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 28,286 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program ("DROP") program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of July 2016, there are no members active in DROP.

Table A-16 displays total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2012 through July 1, 2016.

TABLE A-16

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2011 -12 through 2015 -16

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2012	28,097	4,543	1,015	33,655	25,190	1.115
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146

Sources: SFERS' annual July 1 actuarial valuation reports
See http://mysfers.org/resources/publications/sfers-actuarial-valuations/

Notes: Member counts exclude DROP participants.
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 November 2016 Retirement Board meeting, the Board voted to make no changes in economic assumptions for the July 1, 2016 actuarial valuation following the recommendation of the consulting actuarial firm. Key economic assumptions are the long-term investment earnings assumption of 7.50%, the long-term wage inflation assumption of 3.75%, and the long-term consumer price index assumption of 3.25%. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

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 bonds 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 bonds 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 2014-15 total City employer contributions were $556.5 million which included $243.6 million from the General Fund. Fiscal year 2015-16 total City employer contributions were $496.3 million which included $215.2 million from the General Fund. For fiscal year 2016-17, total City employer contributions to the Retirement System are budgeted at $515.0 million which includes $240.4 million from the General Fund. These budgeted amounts are based upon the fiscal year 2016-17 employer contribution rate of 21.40% (estimated to be 18.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2017-18 employer contribution rate is 23.46% per the July 1, 2016 actuarial valuation report (estimated to be 20.1% after taking into account cost-sharing provisions). The increase in employer contribution rate from 21.40% to 23.46% results primarily from two reasons: 1) the retroactive grant of 2013 and 2014 Supplemental COLAs after the October 2015 California Court of Appeal determination in *Protect Our Benefits v. City and County of San Francisco* that the "full funding" requirement for Supplemental COLAs adopted under Proposition C does not apply to members who retired on or after November 6, 1996 and were hired prior to January 7, 2012, and 2) the continued phase in of the 2015 assumption changes approved by the Retirement Board. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's December 2016 Five Year Financial Plan.

Table A-17 shows total Retirement System liabilities, assets, and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2011-12 through 2015-16. Information is shown for all employers in the Retirement System (City and County of San Francisco, 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" are 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 total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-17

SAN FRANCISCO CITY AND COUNTY

Employees' Retirement System

Fiscal Years 2011-12 through 2015-16

(Dollars in 000s)

As of 1-Jul	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
2012	$19,393,854	$15,293,724	$16,027,683	78.9%	82.6%	$608,957	18.09%
2013	20,224,777	17,011,545	16,303,397	84.1%	84.1	701,596	20.71
2014	21,122,567	19,920,607	18,012,088	94.3%	94.3	821,902	24.82
2015	22,970,892	20,428,069	19,653,339	88.9%	88.9	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	88.6%	88.6	849,569	20.80

[1] Employer contribution rates for fiscal years 2016-17 and 2017-18 are 21.40% and 23.46%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information
SFERS' annual July 1 actuarial valuation reports

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

Please note in the table above, that the Market Percent Funded ratio is lower than the Actuarial Percent Funded ratio for the first time in four years. The Actuarial Percent Funded ratio does not yet fully reflect all asset losses from the last five fiscal years.

The actuarial accrued liability is measured by the 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.

GASB Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement was first implemented by the Retirement System in fiscal year 2013-14. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting statement was first effective in fiscal year 2014-15. These accounting statements separated financial reporting from funding and required additional disclosures in the notes to the financial statements and required supplemental information. In general, the City's funding of its pension obligations are not affected by the GASB 68 changes to the 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 at a municipal bond rate to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have ranged from zero to six basis points at the last four 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 been already been granted.

See Note 2(s) of the City's CAFR attached to this Official Statement as Appendix B for more information about the effects of GASB 68 and certain other new accounting standards on the City's financial statements.

Table A-17A below shows 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-17A

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System (Dollars in $000s)
GASB 67/68 Disclosures

As of 30-Jun	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
2013	$20,785,417	7.52 %	$17,011,545	81.8 %	$3,773,872	$3,552,075
2014	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2016	25,967,281	7.5	20,154,503	77.6	5,812,778	5,476,653

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2014, 2015, and 2016.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The fiscal year 2016 increase in the City's net pension liability is due to investment return shortfalls, the Appeals Court's elimination of the full funding requirement for payment of Supplemental COLAs for certain members, and the impact of the Retirement Board's 2015 adoption of revised demographic assumptions.

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. For a breakdown of the asset allocation as of June 30, 2016, see Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2016," Page 72. Although the Fund did not hold hedge funds as of June 30, 2016, the Board approved a 5% allocation to absolute return/hedge funds at its February 2015 meeting. Implementation of this new allocation began during fiscal year 2016-17.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2016 were 7.53%. For the ten-year and twenty-year periods ending June 30, 2016, annualized investment returns were 5.85% and 7.66% 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) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

Recent 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 passed Proposition D in June 2010 which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010. Under these new plans, average final compensation used in the benefit formula changed from highest one-year average compensation to highest two-year average compensation and the employee contribution rate increased for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%. Proposition D also provides that, in years when the City's required contribution to SFERS is less than the employer normal cost, the amount saved would be deposited into the Retiree Health Care Trust Fund.

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 who earn between $50,000 and $100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn $100,000 or more per year pay a fluctuating contribution rate

in the range of +5% to -5% of the Charter-mandated employee contribution rate. 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 and County 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 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 has appealed the Superior Court's injunction, and the schedule for that appeal is not yet known.

In August 2012, 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.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2016, the audited market value of Retirement System assets was $20.2 billion. As of February 28, 2017, the unaudited market value of SFERS' portfolio was $21.5 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 more or less. 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. Such payment from the General Fund equaled $19.2 million in fiscal year 2012-13 and $20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of $25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2016, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

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

Medical 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 San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries. The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS 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 Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The San Francisco Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained on the HSS website or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the HSS website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

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 a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and 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." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-CountyAverage was eliminated in the calculation of premiums for active employees represented by most unions, and exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. 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 HSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. 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 and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

In addition to the average contribution the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

Health Care Reform

The description that follows of the implementation of the Patient Protection and Affordable Care Act is current. The election of a Republican President in November 2016 who promised to repeal "Obamacare" (or the Affordable Care Act ("ACA") combined with both Houses of Congress with Republican majorities who are equally set on repealing the ACA puts many of the fees and taxes in limbo until legislation is passed to "repeal and replace Obamacare" by the current Congress and signed by President Trump ("HealthReform 2.0").

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the "Health Care Reform Law" or the ACA or "Obamacare"). The ACA was intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City.

The Health Care Reform Law was designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law include the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. On June 28, 2012 the U.S. Supreme Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements.

Provisions of Health Care Reform already implemented by HSS include discontinued eligibility for non-prescription drugs reimbursement through flexible spending accounts ("FSAs") in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012, W-2 reporting on total healthcare premium costs, implementation of a medical loss ratio rebate on self-insured plans, issuance of a separate summary of benefits to every member and provided to every new member and providing information on State Exchanges to both employees currently on COBRA and future COBRA recipients and as of 2015 and 2016, and beyond, healthcare FSAs are limited to $2,550 annually.

The change to the definition of a full time employee was implemented in 2015. The City modified health benefit eligibility to employees who are employed, on average, at least 20 hours of service per week. The Automatic Enrollment requirement in the Health Care Reform was deferred indefinitely. This requires that employers automatically enroll new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law). Further it is required employees be given adequate notice and the opportunity to opt out of any coverage in which they were automatically enrolled. It is uncertain when or if final guidance will be issued by the Department of Labor.

The federal Health Care Reform Law created two direct fees: Transitional Reinsurance Fee and Patient Centered Outcomes Research Institute ("PCORI") fee and one tax, the Federal Health Insurer Tax ("HIT"). The Transitional Reinsurance Fee was eliminated beginning in 2017 and the HIT tax was waived in 2017. PCORI was factored into the calculation of medical premium rates and premium equivalents for the 2017 plan year and the impact on the City is $0.22 million.

Beginning in 2013, the PCORI Fee was accessed at the rate of $2.00 per enrollee per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The fee is charged directly to SFHSS. In 2015 the rate was $2.17, $2.25 in 2016 and $2.25 in 2017. SFHSS pays this fee directly to the Internal Revenue Service (IRS) and the fee will increase with health care inflation until it sunsets in 2019.

The Federal HIT tax is a fixed-dollar amount applied to "full funded" HMOs and was charged in the 2016 plan year. The 2016 plan year premiums for Kaiser Permanente, Blue Shield of California, and the dental and vision plans included the impact of the HIT tax. Late in 2016, Blue Shield and the California Department of Managed Health Care agreed that the HIT tax was not applicable to Blue Shield because SFHSS "flex funds" Blue Shield meaning that SFHSS is at risk directly for non-physician costs and thus it is not fully-insured. This resulted in a refund for 2016 of $9.93 million which is being applied to the 2018 rate stabilization reserve. The estimated impact of the HIT tax on the City was $12.73 million. When the refund from Blue Shield of California is taken into account, the total impact on the City was $2.8 million for Kaiser Permanente, and the dental and vision plans.

Beginning in 2016, employers are required to report coverage for employees to the IRS each January on complex electronic interface systems using 1095 forms. The San Francisco Health Service System spent over 2,080 hours on system configuration and is compliant with this requirement for 2016 and 2017.

As part of overall "HealthCare Reform 2.0" under President Trump, it is likely that the age for eligibility will be increased. If this occurs, there will be an estimated 1,500 additional "early retirees" not subsidized by Medicare requiring coverage by HSS. The Republicans have also proposed a "voucher" system for Medicare. If this occurs it will require major changes to retiree health coverage. At this time it is too early to predict what changes will be made and it is very possible that changes will be passed but not implemented until January 2019, after the mid-term Congressional elections.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2015-16, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $674.6 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $569.0 million; approximately $158.4 million of this $569.0 million amount was for health care benefits for approximately 23,453 retired City employees and their eligible dependents and approximately $410.6 million was for benefits for approximately 31,085 active City employees and their eligible dependents.

The 2016 aggregate plan costs for the City increased by 3.80%. This is due to a number of factors including aggressive contracting by HSS 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. Flex-funding allows lower premiums to be set by the City's actuarial consultant, AON-Hewitt, 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 flatten trend is anticipated to continue.

Post-Employment Health Care Benefits and GASB 45

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 the City and these employees equal to 3% of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

1. The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,

2. The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board, and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,

3. The Controller, Mayor, Trust Board, and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements.

The City was required to begin reporting the liability and related information for unfunded OPEBs in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under GASB 45. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability.

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%. The City's actuary is currently updating this valuation for release in January, 2017.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2015-16 annual OPEB cost was $326.1 million, of which the City funded $168.9 million which caused, among other factors, the City's long-term liability to increase by $157.3 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 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 obligation. See Note 9(b) to the City's CAFR, as of June 30, 2016, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2011-12 to 2015-16
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2012	$405,850	38.5%	$1,348,883
6/30/2013	418,539	38.3%	1,607,130
6/30/2014	353,251	47.2%	1,793,753
6/30/2015	363,643	46.0%	1,990,155
6/30/2016	326,133	51.8%	2,147,434

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2016, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $114.8 million, an increase of 57% versus the prior year. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but is expected to grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2016 is approximately $114.8 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2012-13 to fiscal year 2016-17.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2012-13 through 2016-17*
(000s)

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Budget
SFERS and PERS Retirement Contributions	$452,325	$535,309	$593,619	$531,821	$550,302
Social Security & Medicare	156,322	160,288	171,877	184,530	196,741
Health - Medical + Dental, active employees [1]	370,346	369,428	383,218	421,864	451,905
Health - Retiree Medical [1]	155,885	161,859	146,164	158,939	169,612
Other Benefits [2]	16,665	16,106	18,439	20,827	26,719
Total Benefit Costs	**$1,151,543**	**$1,242,990**	**$1,313,318**	**$1,317,981**	**$1,395,279**

*Fiscal year 2011-12 through fiscal year 2015-16 figures are audited actuals. Fiscal year 2016-17 figures are original budget.

[1] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insuranc

[2] "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits.

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

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City and County of San Francisco (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 May 2016, is included as an appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of April 30, 2017, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of April 30, 2017

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$1,475,000,000	$1,470,502,364	$1,471,717,168
Federal Agencies	4,578,287,000	4,577,048,095	4,576,496,692
State and Local Obligations	343,534,000	347,110,635	344,951,394
Public Time Deposits	1,200,000	1,200,000	1,200,000
Negotiable Certificates of Deposit	1,017,838,000	1,017,838,000	1,018,509,318
Banker's Acceptances			
Commercial Paper	1,021,900,000	1,017,144,393	1,020,317,765
Medium Term Notes	89,775,000	89,938,774	89,954,712
Money Market Funds	306,554,748	306,554,748	306,554,748
Supranationals	230,000,000	229,815,308	230,214,900
Total	$9,064,088,748	$ 9,057,152,317	$ 9,059,916,697

April 2017 Earned Income Yield: 1.053%

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-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of April 30, 2017

Maturity in Months			Par Value	Percentage
0	to	1	$1,048,976,748	11.57%
1	to	2	1,595,240,000	17.60%
2	to	3	865,420,000	9.55%
3	to	4	222,185,000	2.45%
4	to	5	129,795,000	1.43%
5	to	6	382,000,000	4.21%
6	to	12	1,491,900,000	16.46%
12	to	24	1,194,173,000	13.17%
24	to	36	1,338,730,000	14.77%
36	to	48	492,500,000	5.43%
48	to	60	303,169,000	3.34%
			$9,064,088,748	100.00%

Weighted Average Maturity: 399 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.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2016 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2016," Notes 2(d) and 5.

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 ten-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, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. 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 ten-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 needs over ten 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 year 2018-2027 Capital Plan was approved by the CPC on February 27, 2017 and was adopted by the Board of Supervisors in April 2017. The Capital Plan contains $35.2 billion in capital investments over the coming decade for all City departments, including $5.25 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.9 billion for General Fund pay-as-you-go capital projects over the next ten 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 upgrades to public health, police, and fire facilities; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the relocation of public health staff and services to improved spaces, among other capital projects. $2.1 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. 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 Capital Plan recommends $18.9 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, and the Sewer System Improvement Program, among others. Approximately $12.3 billion of enterprise fund department capital projects is 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 $4.6 billion in capital needs including enhancements are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

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

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of May 22, 2017, the City had approximately $2.25 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of May 22, 2017 [1 2]

Fiscal Year	Principal	Interest	Annual Debt Service
2017	$189,434,110	$48,373,909	$237,808,019
2018	123,873,225	88,868,612	212,741,837
2019	124,230,545	84,676,748	208,907,293
2020	123,541,232	78,649,111	202,190,343
2021	122,085,457	72,700,986	194,786,443
2022	128,083,401	67,121,223	195,204,624
2023	131,760,251	61,192,905	192,953,156
2024	134,366,206	54,907,030	189,273,236
2025	135,221,476	48,463,484	183,684,960
2026	130,491,279	42,140,369	172,631,648
2027	135,690,840	36,402,040	172,092,880
2028	140,604,035	30,447,874	171,051,909
2029	141,041,751	24,668,943	165,710,694
2030	137,285,095	18,856,513	156,141,608
2031	99,261,950	13,238,784	112,500,734
2032	102,620,000	9,573,281	112,193,281
2033	68,105,000	5,848,349	73,953,349
2034	43,770,000	3,291,929	47,061,929
2035	35,160,000	1,711,971	36,871,971
2036	12,680,000	475,476	13,155,476
TOTAL [3]	$2,259,305,853	$791,609,537	$3,050,915,390

[1] This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.
[2] Totals reflect rounding to nearest dollar.
[3] 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.

General Obligation Bonds

Certain general obligation 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, which authorized the issuance of up to $350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued $35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed $35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of

America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of $2.0 million, and in October 2007, the City borrowed approximately $3.8 million from the Credit Bank. In January 2008, the City borrowed approximately $3.9 million and in November 2008, the City borrowed $1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the $35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved. On November 8, 2016, voters approved Proposition C, authorizing the use of Seismic Safety Bond Program to fund the purchase and improvement of buildings in need of safety upgrades in order to convert them into affordable housing.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $60.4 million in March 2010 and the third series in the amount of approximately $73.4 million in March 2012. The City issued the fourth series in the amount of approximately $8.7 million in January 2016.

In June 2010, voters approved Proposition B, which authorized the issuance of up to $412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of $79.5 million in December 2010 and the second series of bonds in the amount of $183.3 million in March 2012. The City issued the third series in the amount of approximately $38.3 million in August 2012 and the fourth series of bonds in the amount of $31.0 million in June 2013, and the fifth series in the amount of $54.9 million was issued in October 2014. The final series was issued in June 2016 in the amount of approximately $25 million. In November 2011, voters approved Proposition B, which authorized the issuance of up to $248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately $74.3 million in March 2012 and the second series of bonds in the amount of $129.6 million in June 2013. The City issued the final series in June 2016 in the amount of approximately $109 million.

In November 2012, voters approved Proposition B, which authorized the issuance of up to $195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition B in the amount of approximately $71.9 million in June 2013. The City issued the second series of bonds in the amount of $43 million in January 2016.

In June 2014, voters approved Proposition A, which authorized the issuance of up to $400.0 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, emergency firefighting water system, medical examiner facility, traffic company & forensic services division and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds in the amount of $100.6 million in October 2014 and the second series of bonds in the amount of $44 million in June 2016.

In November 2014, voters approved Proposition A, which authorized the issuance of up to $500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued the first series of bonds under Proposition A in the amount of approximately $67 million in June 2015.

In November 2015, voters approved Proposition A which authorized the issuance of up to $310 million in general obligation bonds to provide funds to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City issued the first series of bonds under Proposition A in the amount of approximately $75 million in October 2016.

In June 2016, voters approved Proposition A, which authorized the issuance of up to $350 million in general obligation bonds to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety, and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs.

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its 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 then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed $1.356 billion aggregate principal amount of the City's 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 City has issued four series of refunding bonds currently outstanding under the Refunding Resolutions, as shown on Table A-23.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of May 22, 2017

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$8,170,000
2008-R2	July 2008	39,320,000	11,105,000
2011-R1	November 2011	339,475,000	226,920,000 [1]
2015-R1	February 2015	293,910,000	277,165,000 [2]

[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. Series 2008-R3 Bonds were partially refunded.

Table A-24 below 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 May 22, 2017, the City had authorized and unissued general obligation bond authority of approximately $1.37 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of May 22, 2017

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$22,765,853	
	2015A	24,000,000	24,000,000	260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	7,510,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	53,215,000	
	2016A	8,695,000	8,120,000	
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	15,800,000	
	2010A	120,890,000	36,645,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	170,800,000	
	2014A	209,955,000	176,035,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	45,425,000	
	2012A	183,330,000	133,965,000	
	2012E	38,265,000	32,805,000	
	2013B	31,020,000	19,065,000	
	2014C	54,950,000	46,910,000	
	2016C	25,215,000	24,110,000	
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	54,480,000	
	2013C	129,560,000	79,570,000	
	2016E	44,145,000	42,200,000	
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	44,215,000	
	2016B	43,220,000	26,345,000	79,810,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	85,920,000	
	2016D	109,595,000	81,340,000	189,735,000
Transportation and Road Improvement (11/4/15)	2015B	67,005,000	47,005,000	432,995,000
Affordable Housing Bond (11/4/15)	2016F	75,130,000	75,130,000	234,870,000
Public Health and Safety Bond (6/7/16)	2017A	173,120,000	173,120,000	176,880,000
SUB TOTALS		**$2,385,205,450**	**$1,735,945,853**	**$1,374,974,550**
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	8,170,000	
Series 2008-R2 issued 5/29/08		39,320,000	11,105,000	
Series 2011-R1 issued 11/9/12		339,475,000	226,920,000	
Series 2015-R1 issued 2/25/15		293,910,000	277,165,000	
SUB TOTALS		**904,780,000**	**523,360,000**	
TOTALS		**$3,289,985,450**	**$2,259,305,853**	**$1,374,974,550**

[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.

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

Lease Payments and Other Long-Term 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 financing 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-25 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of May 22, 2017. Note that the annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of May 22, 2017

Fiscal Year	Principal	Interest	Annual Payment Obligation
2017	$7,675,000	$3,436,398	$11,111,398
2018	60,915,000	46,486,454	107,401,454
2019	52,940,000	44,001,712	96,941,712
2020	38,245,000	41,873,368	80,118,368
2021	46,395,000	39,930,935	86,325,935
2022	46,240,000	37,923,874	84,163,874
2023	48,235,000	35,889,820	84,124,820
2024	49,820,000	33,763,816	83,583,816
2025	49,500,000	31,543,009	81,043,009
2026	49,305,000	29,364,494	78,669,494
2027	51,600,000	27,061,556	78,661,556
2028	52,205,000	24,657,600	76,862,600
2029	54,605,000	22,187,126	76,792,126
2030	54,285,000	19,619,771	73,904,771
2031	45,740,000	17,081,965	62,821,965
2032	34,950,000	14,784,720	49,734,720
2033	35,350,000	13,064,724	48,414,724
2034	36,950,000	11,309,843	48,259,843
2035	24,780,000	9,702,313	34,482,313
2036	23,195,000	8,481,869	31,676,869
2037	21,380,000	7,336,145	28,716,145
2038	22,270,000	6,258,900	28,528,900
2039	23,190,000	5,136,511	28,326,511
2040	24,160,000	3,963,507	28,123,507
2041	25,160,000	2,741,138	27,901,138
2042	18,140,000	1,629,071	19,769,071
2043	8,815,000	958,600	9,773,600
2044	7,195,000	587,000	7,782,000
2045	7,480,000	299,200	7,779,200
TOTAL [1]	$1,020,720,000	$541,075,439 [2]	$1,561,795,439

[1] Totals reflect rounding to nearest dollar.

[2] 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 3.25%. These bonds are in variable rate mode.

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

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. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved 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. 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 May 22, 2017 the total authorized amount for such financings was $67.7 million. The total principal amount outstanding as of May 22, 2017 was $2.00 million.

In 1994, voters approved 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 Proposition B lease revenue bonds, respectively, leaving $14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the previous home of the San Francisco 49ers football team. If issued, the $100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. There is no current plan to issue the Proposition D bonds.

On March 7, 2000, voters approved 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"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately $27.0 million and $42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of 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 "CP Program"). 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 former Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association expired in June 2016. In May 2016, the City obtained renewal credit facilities securing the CP Notes issued by State Street Bank and Trust Company with a maximum principal amount of $75 million and by U.S. Bank National Association with a maximum principal amount of $75 million. The renewal credit facilities will expire in May 2021.

The Board authorized on July 16, 2013 and the Mayor approved on July 25, 2013 an additional $100.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 3 and 3-T and Series 4 and 4-T that increases the total authorization of the CP Program to $250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring February 2019.

As of April 1, 2017, the outstanding principal amount of CP Notes is $218.8 million. The weighted average interest rate for CP Notes is approximately 0.77%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010 the issuance of not to exceed $38 million in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the June of 2017.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013 the issuance of not to exceed $507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in the summer of 2017.

The Board of Supervisors authorized October 8, 2013 and the Mayor approved October 11, 2013 the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure island.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of May 22, 2017 sold in the public capital markets 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.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2016-2017 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$211,532,524,208	
DIRECT GENERAL OBLIGATION BOND DEBT	**Outstanding 5/22/2017**	
General City Purposes Carried on the Tax Roll	$2,259,305,853	
GROSS DIRECT DEBT	$2,259,305,853	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco Finance Corporation, Equipment LRBs Series 2011A, 2012A, and 2013A	$2,005,000.00	
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	9,975,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	99,620,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	47,000,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	28,045,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	125,570,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	31,190,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	23,240,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000	
San Francisco Refunding Certificates of Participation, Series 2010A	105,045,000	
San Francisco COPs, Refunding Series 2011AB (Moscone)	40,390,000	
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	36,815,000	
San Francisco COPs, Series 2013A Moscone Center Improvement	7,750,000	
San Francisco COPs, Series 2013BC Port Facilities	32,275,000	
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)	38,350,000	
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements	127,810,000	
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)	120,920,000	
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements	15,170,000	
LONG-TERM OBLIGATIONS	$1,020,720,000	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$3,280,025,853	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$550,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	77,490,000	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	102,494,000	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	262,945,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	34,260,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	760,367,853	
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	151,301,115	
Association of Bay Area Governments Obligations (Special Tax Bonds)	18,140,000	
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing	2,999,392	
San Francisco Unified School District General Obligation Bonds,Election of 2003, 2006, 2011, 2015R, 2016, and 2017	1,063,975,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,474,522,360	
GROSS COMBINED TOTAL OBLIGATIONS	$5,754,548,213	[1]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**	
Gross Direct Debt (General Obligation Bonds)	1.07%	< 3.00%	[2]
Gross Direct Debt & Long-Term Obligations	1.55%	n/a	
Gross Combined Total Obligations	2.72%	n/a	

[1] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[2] 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.

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

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.0 million of such authorization in October 2004, $130.0 million in October 2005, and $92.0 million in October 2006, leaving $15.0 million authorized but unissued. In March 2012, the SFUSD issued $116.1 million in refunding general obligation bonds that refunded $137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed $980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the $980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or $282.0 million. Of such authorization, BART issued $100.0 million in May 2005 and $400.0 million in July 2007, of which the allocable City portion is approximately $29.0 million and $116.0 million, respectively.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed $450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of $100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of $150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of $185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed $531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of $115.0 million under the Proposition A of 2011 authorization in March 2012.

On November 8, 2016, voters approved Proposition A. Proposition A of 2016 authorized the SFUSD to issue an aggregate principal amount not to exceed $744.25 million of general obligation bonds to repair and rehabilitate San Francisco Unified School District facilities to current accessibility, health, safety, seismic and instructional standards, replace worn-out plumbing, electrical, HVAC, and major building systems, renovate outdated classrooms and training facilities, construct school facilities and replace aging modular classrooms, improve information technology systems and food service preparation systems. The SFUSD issued the first series in the aggregate principal amount of $180.0 million under the Proposition A of 2016 authorization in March 2017.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with approximately 200 completed units and an additional 350 units currently under construction. An additional 230 units will begin construction in 2017. On Candlestick Point, 306 housing units are under construction which includes a mix of public housing replacement and new, affordable units. In 2016, horizontal infrastructure construction commenced, which will support up to 1,710 units of housing, including 290 stand-alone affordable units and up to 145 inclusionary units, a 635,000 square foot mixed-use retail center, 220-room hotel, and a community facilities parcel. Two hillside open space areas at the base of Bayview Hill will be improved and a new wedge park and plaza will also be constructed, adding a total of 8.6 acres of open space adjacent to the new retail and residential development.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400 slip marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plans include green building standards and best practices in low-impact development.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016, and demolition and initial infrastructure improvements under contract are currently underway. The first phase of development will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Mission Bay Blocks 29-32– Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, is developing a multipurpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have restaurants, retail, office space, bike valet, public plazas and a limited amount of parking, and trigger the construction of a new 5 acre Bay Front Park between the new event center and the Bay. Environmental review has been completed for the site, and was upheld in a November 2016 decision. The project began construction in January 2017 and the event center is scheduled to open in time for the 2019-2020 basketball season.

Transbay

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Transbay Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the Transit Center, was approved by the

Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Transbay Transit Center. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open by the end of 2017. Demolition of existing structures on the site was completed in August 2011.

The 10 acres of property formerly owned by the State surrounding the Transbay Transit Center is being redeveloped with plans for 3,300 new homes, 1,400 to be affordable below-market rate homes, over 2 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Recently completed in the neighborhood is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals, and Solaire, which consists of 479 residential units of which 70 units are affordable. There are over 1,600 units currently under construction on Folsom Street, 767,000 square feet of office space under construction at Howard and Beale Streets, and 1.4 million square feet of office space under construction at Mission and First Streets.

The Pelli Clarke Pelli Architects-designed Transit Center will serve more than 100,000 people per day through nine transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Transbay Transit Center, "City Park," a 5.4-acre public park that will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The $4.5 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,400 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 50% complete.

Over 5,296 units have been completed with an additional 493 units under construction, along with several new parks. Another 119 affordable housing units, a 250-room hotel and the mixed-use Chase Event Center project will house the Golden State Warriors have broken or will break ground in 2017.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock set forth in the term sheet includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of which will be affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve San Francisco Giants baseball team patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

In the wake of the passage of Proposition B on the June 2013 ballot, the developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders to further refine the project plan. The environmental review process was initiated in January 2014 and is expected to last until mid-2017. That process will be accompanied by negotiation of transaction agreements and approval of any needed height limit and zoning changes.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following community and environmental review. In November 2014, Proposition F was approved by the voters, authorizing an increase of height limits on Pier 70 from 40 feet to 90 feet.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include up to 1.7 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and approximately 1600 housing units, with 30% percent of them made available to low- and middle- income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development. Conclusion of the environmental review process, transaction agreements and planning approval are expected in mid-2017.

Moscone Convention Center

The Moscone Center Expansion Project will add approximately 300,000 square feet and repurpose an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects propose an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance from Third Street and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would lose up to $2 billion in foregone revenue over the next decade if Moscone was not expanded. The project allows the City to recover approximately $734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. Project development began in December 2012, with major construction starting in November 2014. The project is expected to reach completion by the end of 2018.

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 revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the next two 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.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles,* 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

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.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2016, attached as Appendix B to this Official Statement. 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 the Certificates, its General Fund lease or other debt obligations, nor materially impair the City's ability to fund current operations.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Transbay Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS—Transbay".

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. Since the Lehman Lawsuit, the City has been named as a defendant in two other lawsuits related to the Millennium Tower the Buttery Lawsuit. The Buttery Lawsuit alleged that the City failed to inform buyers of various conditions of the Millennium Tower property, but all claims against the City in that action have been voluntary dismissed. On May 4, 2017, a new lawsuit was filed by additional owners, the Montana family and their trust (the "Montana Lawsuit"), against a number of parties, including the TJPA and the City. The City expects that other lawsuits may be filed against the TJPA and the City relating to the Millennium Tower. The City continues to evaluate the lawsuits, and the subject matter of the lawsuits, but cannot now make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis 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 property risk management approach varies depending 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 levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, 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 with 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 CAFR. 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 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.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2016

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2016

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CITY AND COUNTY OF SAN FRANCISCO
Comprehensive Annual Financial Report
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November 18, 2016

The Honorable Mayor Edwin Lee
The Honorable Members of the Board of Supervisors
Residents of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2016, 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, 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, San Francisco General Hospital, Laguna Honda Hospital, 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, 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.

KEY FINANCIAL REPORT SECTIONS:

The **Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The **Financial Section** includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial and other statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financial statements are blended with the City's, such as the San Francisco County Transportation Authority and the San Francisco Finance Corporation. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the Treasure Island Development Authority, financial reporting is shown separately. Supplemental combining statements and schedules for non-major governmental funds, internal service funds and fiduciary funds are also presented in the financial section.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting statistical information. This section may be of special interest to citizens and prospective investors in our bonds.

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

An educated workforce and easy access to transit and financial capital continue to drive business investment in the City. San Francisco's economy has fully recovered losses from the most recent recession, and growth continues to outpace that of the state and national economies. The City's unemployment rate in fiscal year 2015-16 declined to a rate of 3.4%, a drop of 0.6% from the prior fiscal year's rate of 4.0%. In comparison, average unemployment rates for California and the nation for fiscal year 2015-16 stood at 5.7% and 5.0%, respectively. Most importantly, this fall in unemployment rate is due to a strengthening labor market as opposed to people dropping out of the labor force. In fiscal year 2015-16, private nonfarm employment in the San Francisco Metropolitan Division grew 4.4% over the prior fiscal year, compared to 3.0% growth for the state overall.

The resident population also continued to grow, reaching a new historical high of 864,816 in 2015 according to the U.S. Census Bureau. This represents a 1.4% increase versus the prior year, and cumulative growth of 101,800 or 13% over the last decade.

Several local economic indicators have shown marked improvement over the past fiscal year. Housing prices, residential and commercial rents, and hotel room and occupancy rates, have all shown significant growth. Commercial and residential rents and median home prices all increased to new historical highs. The average asking monthly rent for apartments in San Francisco rose to $3,614 in fiscal year 2015-16, an increase of 4.9%. Monthly per square foot rental rates for commercial space grew to $70.16 in fiscal year 2015-16, a 6.5% increase versus the prior fiscal year. The average median home price in the fiscal year grew to a new annual high of approximately $1,133,813 up 10.4% from the previous fiscal year. Average annual hotel occupancy grew to 87.7%, a new historical high, while average room rates grew by 5.7% between FY2014-15 and FY2015-16.

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. A large amount of private construction was completed or underway during the last fiscal year, with 4,703 housing units completed and 6,998 additional units under construction at the end of the fiscal year. Building permits for nearly 4.9 million square feet of construction were issued during the year. Much of this development is shaped by major area planning efforts that the City has completed in recent years, including in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. The City has also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

The City and County of San Francisco was established by Charter 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.

San Francisco's Budgetary Process

The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes 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 for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City 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. As of fiscal year 2015-16 there were seven departments on a two-year fixed budget.

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 2015. 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.

Pension and Retiree Health Trust Fund Operations

In FY 2014-15 the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68 related to financial reporting of pension plans. It requires additional disclosures in the notes and recognition of a net pension liability. While the City has six defined benefit retirement plans, a substantial majority of full-time employees participates in the San Francisco Employees' Retirement System (SFERS).

With this new standard the City uses two different actuarial valuation studies – one for financial reporting purposes as required by Standard No. 68 and the other for funding purposes to determine the City's annual required contributions to the plan. The new method, for financial reporting purposes, is used to calculate the net pension liability that appears on the City's financial statements.

Funding Purposes – The most recent actuarial valuation report for the SFERS pension plan, dated July 1, 2015, estimates the unfunded actuarial accrued liability at $3.32 billion, an increase of $207 million from the previous actuarial valuation dated July 1, 2014. For funding purposes, the pension plan's funding ratio increased from 85.3% to 85.6%.

Financial Reporting – As of June 30, 2016, for financial reporting purposes, the City's net pension liability for SFERS is $2.16 billion, an increase of $496 million from the previous year. SFERS's fiduciary net position as a percentage of total pension liability, which is comparable to the funding ratio mentioned above decreased from 91.8% to 89.9%.

The City's unfunded retiree health benefit liability has been calculated at $4.21 billion as of July 1, 2014. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning in fiscal year 2016-17, employees hired before January 10, 2009 will also start contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary and rising to 2.0% of salary by fiscal year 2019-20. As of June 30, 2016, the Trust Fund had assets of $114.8 million, an increase of 57% versus the prior year.

General Fund Financial Position Highlights

The City's General Fund financial position continued to post significant improvement during this most recent fiscal year, continuing trends from recent years.

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2015-16 at $1,429 million, up $284 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2015-16, rising to a new year-end peak of $1.7 billion, up $0.43 billion from June 30, 2015.

The General Fund rainy day and budget stabilization reserves grew to $298.5 million at the end of fiscal years 2015-16, an increase of $51.3 million compared to prior year.

The majority of fund balance available for appropriation on a budgetary basis totaled $435.2 million or $11.9 million more than had been previously projected and appropriated by the Mayor and Board as a source in the adopted two-year budget for fiscal years 2016-17 and 2017-18.

Key Government Initiatives

San Francisco's economy depends on investments in infrastructure and services that benefit City residents, workers, visitors, and businesses. These economic foundations range from housing and commercial development, to transportation infrastructure, investments in health and human services, and the City's quality of life. The City is taking steps to strengthen this infrastructure, to support San Francisco's economic recovery and long-term prosperity. Some important initiatives are described below:

Improving the City's Public Transportation Systems

San Francisco is ideally situated to serve the Bay Area's need to rapidly bring a large numbers of workers into a transit-accessible employment center, and efficiently navigate the dense City on foot, mass transit, taxi or bicycle.

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet a portion of this regional need. The center is designed to provide expanded bus, commuter train, and ultimately high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The $2.3 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources; including federal stimulus funding, land sale proceeds, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site. In order to meet cash flow needs of the project, an interim financing in an amount not to exceed $260 million was approved by both the City and the authority in fiscal year 2015-16. This interim financing will be provided by the City and repaid from future tax revenues generated by development from the district plan area and state-owned parcels within the redevelopment area.

The City is currently constructing the Central Subway project, the second phase of a program designed to create a light-rail line running from Chinatown, under the heart of downtown, and connecting to the most-recent extension of the light-rail system to the Southeast portion of the City. The subway will connect to Bay Area Rapid Transit (BART) and Caltrain, the region's two largest regional commuter rail services. The Central Subway project, with an estimated budget of $1.6 billion and a targeted completion date of 2018, is estimated to provide approximately 35,000 daily boardings at four stations along the new 1.7-mile line. Once in active service in 2019, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City is also implementing a street repair and improvement program, funded with a $248 million general obligation bond, as well as state and local revenue sources. Under this program, over 2,500 blocks are expected to be repaved or preserved, 1,900 curb ramps for disabled access will be constructed, and over 125,000 square feet of public sidewalk will be repaired. In commercial corridors, and along busy routes, the program is enabling the City to build complete streets that enhance pedestrian and bicycle safety and enhance the vibrancy of urban neighborhoods. The program also provides funds to rehabilitate existing traffic signal infrastructure and allow transit signal priority along key transit routes, improving transit efficiency and relieving traffic congestion. During the last two years, the City has repaved or maintained more than 1,700 blocks, built 1,400 curb ramps, repaired 21 street structures, inspected and repaired more than 300,000 square feet of sidewalk.

These improvements to the City's transportation infrastructure will be accelerated given voter approval of a $500 million general obligation bond in November 2014, the first of four funding measures recommended by a Mayoral taskforce convened during fiscal year 2013-14 to prioritize critical transportation infrastructure projects and recommend funding strategies to meet these needs. Projects planned for the bond include investments designed to improve reliability and travel time on mass transit, improve pedestrian safety, improve accessibility, and address priority deferred maintenance needs.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2015-16 as part of an approved capital plan of $2.6 billion over the next five years. Completed projects during the fiscal year include runway safety area improvements and a new cargo facility, with work to construct a new air traffic control tower and renovations to Terminal 3 in construction. The plan also includes funds for programming, planning, and construction of the initial phases of the Terminal 1 Renovation Program, which has a projected cost of $2.2 billion and anticipated phased completion dates through 2023. These projects are necessitated by the continued growth in passenger volumes at SFO, which accounts for 93% of international air travel and 70% of all air travel into the Bay Area.

Completing Critical Infrastructure Upgrades for Water, Power, and Sewer Services

Service reliability and disaster preparedness are also priorities of the City's Public Utilities Commission (PUC), as evidenced in the historic levels of infrastructure investment being deployed and planned in all three enterprises the PUC operates.

As of the end of fiscal year 2015-16, the City was over 91% complete on a $4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program

(WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco counties, collectively serving some 2.6 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

The PUC is also underway with a $6.9 billion, three-phased 20-year program to upgrade of the City's wastewater infrastructure, the Sewer System Improvement Program (SSIP). The first phase, totaling $2.7 billion, includes $1.7 billion in improvements to the Southeast Treatment Plant and funding for sustainable, green infrastructure and urban watershed assessment projects to minimize stormwater impact on the sewer system. The SSIP will upgrade the City's combined sewer system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, today many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

Hetch Hetchy Water and Power, which includes upcountry water operations and the City's power enterprise, is in the midst of an upcountry rehabilitation program for its aging reservoirs, powerhouses, switchyards, pipelines, tunnels and in-city power assets. Upcountry water and power facilities are being assessed and rehabilitated where needed, including investments in reservoirs, powerhouses, switchyards, and substations, 170 miles of pipelines and tunnels, 160 miles of transmission lines, watershed land, and right-of-way property. Improvements in San Francisco include piloted replacement of old, outdated streetlight fixtures and poles with modern, energy-efficient ones. These new fixtures will have wireless controls, enabling the City to achieve cost-efficiency and higher performance through the ability to monitor and control them remotely. Over the next ten years, $1.2 billion of critical infrastructure investment is planned.

Expanding Access to Healthcare

Public health and human services are important to the long-term health and well-being of City residents, and to the overall productivity of the City's workforce. The City offers a host of health and safety net services, including operation of two public hospitals, the administration of federal, state, and local entitlement programs, and a vast array of community-based health and human services.

January 2014 marked the beginning of full-scale implementation of the Affordable Care Act (ACA), including the launch of Covered California and the Medi-Cal expansion. In preparation, the City conducted extensive outreach through various agencies, and the Department of Public Health (DPH) created the San Francisco Health Network, consolidating the department's full continuum of direct health care services. The San Francisco Health Network is an integrated health care delivery system that improves the department's ability to provide and manage care for insured patients that select our network, organize the elements of the delivery system, improve system efficiency, and improve the patient experience.

Approximately 140,000 San Franciscans have enrolled in new health insurance options since the launch of the ACA in 2014, including more than 92,000 in Medi-Cal and over 52,000 in Covered California. Paralleling the increased insurance enrollment is a continued reduction in enrollment in Healthy San Francisco, the City's health access program for the uninsured, which declined from nearly 58,000 participants prior to ACA implementation to 14,500 as of June 2016. However, Healthy San Francisco does not account for all uninsured San Franciscans, and the City estimates that 25,000 to 30,000 residents continue to remain without insurance. The residually uninsured include those ineligible for the insurance expansions offered under the ACA and those who are eligible but who, for a variety of reasons, do not enroll. The City will continue to be a key provider of safety net services for these individuals.

Amidst these changes, the City has replaced and modernized the City's two public hospitals. The voters approved an $887 million general obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This replacement project is required given changes to state law governing seismic requirements for hospitals. It replaced the current facility with a new seven-story building, emergency rooms three times the size of the old hospital and more operating rooms on the existing hospital

campus. The hospital is the only trauma center in San Francisco, and also acts as the safety net hospital for our residents. The project was completed in November 2015 and patient move-in and official opening occurred in May. This project follows substantial completion of the reconstruction of the City's skilled nursing facility, Laguna Honda Hospital, in fiscal year 2011-12. On June 7, 2016, a two-thirds majority of voters of the City approved $350 million in general obligation bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families.

Modernizing the City's Parks and Libraries

San Francisco voters have approved a number of bond measures to fund capital improvements to the City's parks and libraries during the past decade, including the most recent approval in November 2012 of a $195 million general obligation bond for improvements to neighborhood parks. Once implemented, the City will have completed substantial renovations of 13 recreation centers, 52 playgrounds, and 9 swimming pools during a ten-year period.

The City substantially completed a comprehensive branch library improvement program in fiscal year 2013-14 that renovated 16 branch libraries, replaced seven branches with new buildings, and constructed a new branch library in Mission Bay. The $195 million program, funded with a mix of general obligation and lease-revenue bonds, state funds, and other local sources, focused on seismic safety, accessibility, and modernization for current uses.

Delivering Public and Private Waterfront Improvements

The Port of San Francisco, a department of the City, is custodian to seven and one-half miles of maritime industrial and urban waterfront property. The City utilizes public-private partnerships to marshal private sector creativity and financial resources to rehabilitate historic Port assets or develop new facilities for maximum public benefit. Public-private partnerships complement the City's public works project-delivery mechanism, which has been used to deliver many waterfront projects. Development opportunity areas are identified and guided by the Port of San Francisco Waterfront Land Use Plan, which was initially adopted in 1997 and is in a public planning update process expected to conclude with policy recommendations for key waterfront subareas in 2017. Current public-private partnership projects include the rehabilitation of the Pier 70 area which contemplates continued ship repair, historic preservation, new waterfront parks, housing, and up to two million square feet of new commercial and office space and a new mixed-use neighborhood with waterfront parks and a rehabilitated Pier 48 adjacent to AT&T Park.

Improving Public Safety and Earthquake Preparedness

In June 2014, San Francisco voters approved a $400 million Earthquake Safety and Emergency Response Bond (ESER 2014) to continue vital work done in the ESER program and to pay for repairs and improvements that will allow San Francisco to quickly respond to a major earthquake or disaster. The first phase of the ESER program was approved by voters in June 2010 and since the program began, the City has completed the new Public Safety Building, made improvements to a number of neighborhood firehouses, and upgrades to the emergency firefighting water system.

Other Long-Term Financial Challenges Remain

Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant initiatives outlined above, several long-term financial challenges and risks remain unresolved.

While significant investments are proposed in the City's adopted ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $10 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. The City will update this plan in fiscal year 2016-17.

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other postemployment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial accrued liabilities of $7.53 billion for these benefits, comprised of $4.21 billion for retiree health obligations and $3.32 billion for employee pension benefits. In recent years, the City and voters have adopted significant 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.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, further progress is still needed. Economic stabilization reserves have grown significantly during the last four fiscal years, exceeding pre-recession peaks in the prior year. By the end of the fiscal year, these reserves were funded up to 6.4% of discretionary General Fund revenues, which is below the adopted target of 10%. Further progress towards the targeted level in future fiscal years will allow the City to better weather inevitable negative variances that will be driven by future economic volatility.

OTHER INFORMATION:

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 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 fiscal year ended June 30, 2015. This was the 34th consecutive year, beginning with the fiscal year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. 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.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication, and efficiency are responsible for the preparation of this report. 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 interest and support 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, 2015

Executive Director/CEO

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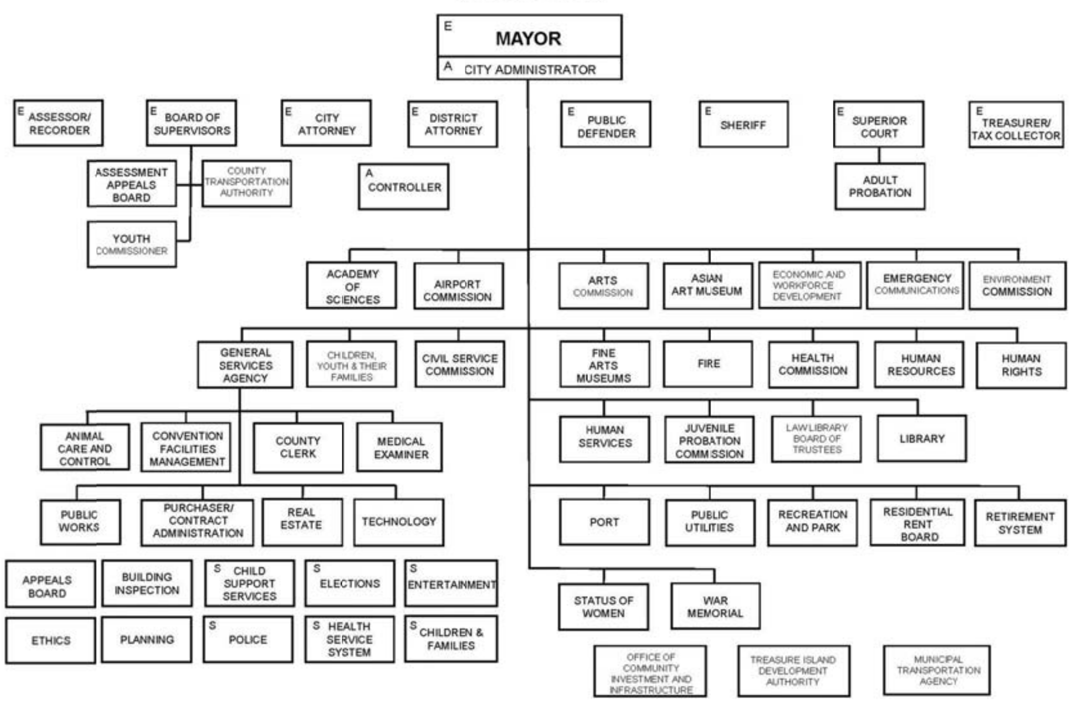
City and County of San Francisco Organization Chart

(As of June 30, 2016)



A = Appointed / **E** = Elected / **S** = Shared – appointed by various elected officials.

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2016

ELECTED OFFICIALS

Mayor	Edwin M. Lee
Board of Supervisors:	
President	London Breed
Supervisor	Eric L. Mar
Supervisor	Mark Farrell
Supervisor	Aaron Peskin
Supervisor	Katy Tang
Supervisor	Jane Kim
Supervisor	Norman Yee
Supervisor	Scott Wiener
Supervisor	David Campos
Supervisor	Malia Cohen
Supervisor	John Avalos
Assessor/Recorder	Carmen Chu
City Attorney	Dennis J. Herrera
District Attorney	George Gascón
Public Defender	Jeff Adachi
Sheriff	Vicki Hennessy
Superior Courts	
Presiding Judge	Judge John K. Stewart
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Naomi Kelly
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	John L. Martin
Appeals Board	Cynthia Goldstein
Arts Commission	Tom DeCaigny
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	Tilly Chang
Building Inspection	Tom Hui
California Academy of Sciences	Jonathan Foley, Ph.D.
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Michael L. Brown
Economic and Workforce Development	Todd Rufo
Elections	John Arntz
Emergency Management	Anne Kronenberg
Entertainment	Jocelyn Kane
Environment	Deborah Raphael
Ethics	LeeAnn Pelham
Fine Arts Museums	Max Hollein
Fire	Joanne Hayes-White

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2016

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	John Noguchi
County Clerk	Catherine Stefani
Medical Examiner	Michael Hunter
Public Works	Mohammed Nuru
Purchaser/Contract Administration	Jaci Fong
Real Estate	John Updike
Department of Technology	Miguel A. Gamino, Jr.
Health Service System	Catherine Dodd
Human Resources	Micki Callahan
Human Rights	Theresa Sparks
Human Services	Trent Rhorer
Aging and Adult Services	Shireen McSpadden
Juvenile Probation	Allen A. Nance
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Ed Reiskin
Planning	John Rahaim
Police	Toney Chaplin (Acting)
Office of Citizen Complaints	Joyce M. Hicks
Port	Elaine Forbes (Acting)
Public Health	Barbara A. Garcia
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	Emily M. Murase
Successor Agency to the Redevelopment Agency	Tiffany Bohee
Superior Court	T. Michael Yuen
Adult Probation	Karen L. Fletcher
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck

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Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report

The Honorable Mayor Edwin Lee
The Honorable 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 remaining fund information and the discretely presented component unit, of the City and County of San Francisco (City), as of and for the year ended June 30, 2016, 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), San Francisco Municipal Transportation Agency (major fund), San Francisco Wastewater Enterprise (major fund), and the Health Service System, 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	1.0%	3.1%	3.5%
Business-type activities	89.9%	91.4%	73.0%
Aggregate remaining fund information	0.8%	0.5%	14.6%

Those financial 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 remaining fund information and the discretely presented component unit, of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
315 Montgomery Street, Suite 806
San Francisco CA 94104

www.mgocpa.com

Emphasis of Matters

As discussed in Note 2(s) to the basic financial statements, effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* Our opinion is not modified with respect to these matters.

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 conformity 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, 2015, from which such partial and summarized information was derived.

We have previously audited the City's 2015 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated November 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 schedule of the City's proportionate share of the net pension liability, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions – pension plans, and the schedules of funding progress and employer contributions – other postemployment healthcare benefits, 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 GASB 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 fund 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 fund 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. In our opinion, the combining fund 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 it.

Macias Gini & O'Connell LLP

San Francisco, California
November 18, 2016

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2014-15 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2015-16 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 $8.00 billion (net position). Of this balance, $8.15 billion represents the City's net investment in capital assets, $1.75 billion represents restricted net position, and unrestricted net position has a deficit of $1.90 billion. The City's total net position increased by $1.44 billion, or 22.0 percent, from the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by $630.7 million or 8.4 percent, $353.0 million or 25.2 percent and $457.7 million or 19.4 percent, respectively.

The City's governmental funds reported total revenues of $5.79 billion, which is a $444.2 million or 8.3 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, intergovernmental grants, and other revenues grew by approximately $156.6 million, $49.0 million, $27.0 million, $47.0 million, and $141.1 million, respectively. At the same time, there was a decline in revenues from real property transfer tax of $45.5 million and hotel room tax of $6.6 million. Governmental funds expenditures totaled $5.07 billion for this period, a $281.2 million or 5.9 percent increase, reflecting increases in demand for governmental services of $415.3 million, an increase in debt service of $54.7 million and a decrease in capital outlay of $188.8 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $2.84 billion, an increase of $546.5 million or 23.9 percent from prior year, primarily due to a strong growth in most revenues over a moderate increase of expenditures and other financing uses this year over last year.

The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $516.7 million during this fiscal year. The City issued a total of $1.14 billion in bonds, certificates of participation and loans this year. Of this amount, a total of $321.9 million in general obligation bonds were issued for transportation and road improvement projects, seismic safety loan program, clean and safe neighborhood parks projects, earthquake safety and response projects and road repaving and street safety projects. The City also issued $123.6 million in refunding certifications of participation and $150.5 million in certificates of participation for War Memorial Veteran Building Seismic Upgrade and Improvements projects. The San Francisco International Airport issued $232.1 million in refunding revenue bonds for debt service savings. The Hetch Hetchy Power Enterprise issued $4.1 million new clean renewable energy bonds to fund certain qualified clean, renewable energy solar generation facilities in the City. The San Francisco Wastewater Enterprise issued $308.4 million in revenue refunding bonds to fund capital projects and pay off outstanding commercial paper notes. The balance of commercial paper issued to finance and refinance capital projects increased by $283.9 million in this fiscal year. Of this increase, $338.9 million represented business-type activities while net decreases of $55.0 million represented governmental activities.

The City early implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 Accounting and Financial Reporting for Pensions.* Statement No 82, treats Employer-Paid Member contributions as employee contributions rather than employer contributions. This resulted in a restatement due to change in accounting principle decreasing net position as of July 1, 2015 by $8.6 million.

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

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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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.
The City adopts a rolling two-year budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), 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 and progress in funding its obligation to provide other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

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 on pensions and other postemployment benefits.

Net Position
(in thousands)

	Governmental activities 2016	Governmental activities 2015	Business-type activities 2016	Business-type activities 2015	Total 2016	Total 2015
Assets:						
Current and other assets	$4,309,790	$3,635,676	$ 4,893,995	$ 4,774,416	$ 9,203,785	$ 8,410,092
Capital assets	5,125,352	4,874,710	15,695,817	14,750,206	20,821,169	19,624,916
Total assets	9,435,142	8,510,386	20,589,812	19,524,622	30,024,954	28,035,008
Deferred outflows of resources	404,560	346,493	490,027	444,208	894,587	790,701
Liabilities:						
Current liabilities	1,462,148	1,345,352	2,295,833	1,892,224	3,757,981	3,237,576
Noncurrent liabilities	5,938,626	5,340,775	12,462,886	12,109,905	18,401,512	17,450,680
Total liabilities	7,400,774	6,686,127	14,758,719	14,002,129	22,159,493	20,688,256
Deferred inflows of resources	429,865	883,538	323,284	688,451	753,149	1,571,989
Net position:						
Net investment in capital assets*	2,750,782	2,684,808	5,690,741	5,117,679	8,151,422	7,520,698
Restricted *	1,331,516	961,387	538,474	495,654	1,753,264	1,400,246
Unrestricted (deficit) *	(2,073,235)	(2,358,981)	(231,379)	(335,083)	(1,897,787)	(2,355,480)
Total net position	$2,009,063	$1,287,214	$ 5,997,836	$ 5,278,250	$ 8,006,899	$ 6,565,464

* 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 $8.00 billion at the end of fiscal year 2015-16, a 22.0 percent increase over the prior year. The City's governmental activities account for $2.00 billion of this total and $6.00 billion stem from its business-type activities.

The largest portion of the City's net position is the $8.15 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $630.7 million or 8.4 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities. 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.

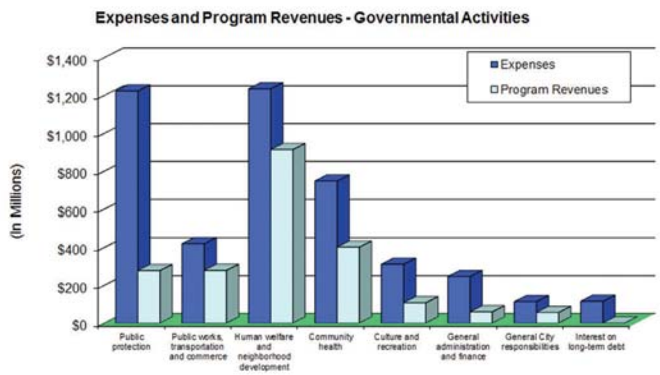
Another portion of the City's net position is the $1.75 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $1.90 billion, which consists of a $2.07 billion deficit in governmental activities and $231.4 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording net pension liability (see note 9). The governmental activities deficit also included $406.8 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities 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)).

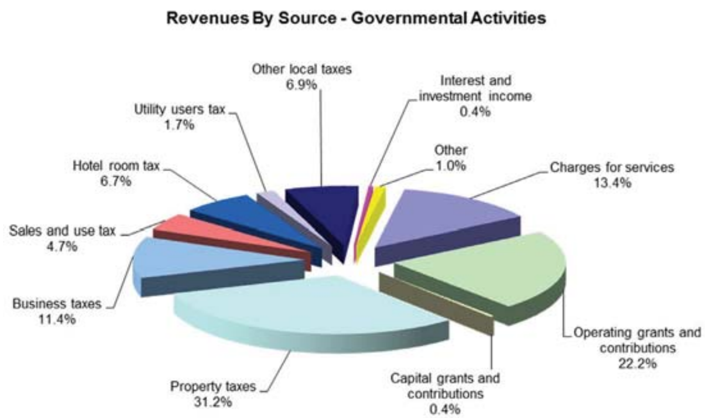
	Governmental activities 2016	Governmental activities 2015	Business-type activities 2016	Business-type activities 2015	Total 2016	Total 2015
Revenues						
Program revenues:						
Charges for services	$ 777,182	$ 612,983	$ 3,230,367	$ 3,134,814	$ 4,007,549	$ 3,747,797
Operating grants and contributions	1,289,902	1,165,340	199,623	191,101	1,489,525	1,356,441
Capital grants and contributions	24,795	48,233	374,924	357,819	399,719	406,052
General revenues:						
Property taxes	1,808,917	1,640,383	-	-	1,808,917	1,640,383
Business taxes	660,926	611,932	-	-	660,926	611,932
Sales and use tax	270,051	240,424	-	-	270,051	240,424
Hotel room tax	387,661	394,262	-	-	387,661	394,262
Utility users tax	98,651	98,979	-	-	98,651	98,979
Other local taxes	399,882	451,994	-	-	399,882	451,994
Interest and investment income	24,048	20,737	28,566	25,999	52,614	46,736
Other	59,266	46,906	240,636	200,148	299,902	247,054
Total revenues	5,801,281	5,332,173	4,074,116	3,909,881	9,875,397	9,242,054
Expenses						
Public protection	1,222,549	1,108,200	-	-	1,222,549	1,108,200
Public works, transportation and commerce	418,978	270,454	-	-	418,978	270,454
Human welfare and neighborhood development	1,233,403	1,073,652	-	-	1,233,403	1,073,652
Community health	747,071	735,040	-	-	747,071	735,040
Culture and recreation	311,028	355,676	-	-	311,028	355,676
General administration and finance	246,383	249,823	-	-	246,383	249,823
General City responsibilities	113,490	94,577	-	-	113,490	94,577
Unallocated Interest on long-term debt	115,357	115,030	-	-	115,357	115,030
Airport	-	-	900,621	853,338	900,621	853,338
Transportation	-	-	1,106,420	1,018,251	1,106,420	1,018,251
Port	-	-	91,449	88,436	91,449	88,436
Water	-	-	470,254	438,885	470,254	438,885
Power	-	-	153,472	149,438	153,472	149,438
Hospitals	-	-	1,050,618	996,395	1,050,618	996,395
Sewer	-	-	244,289	239,556	244,289	239,556
Total expenses	4,408,259	4,002,452	4,017,123	3,784,299	8,425,382	7,786,751
Increase/(decrease) in net position before transfers	1,393,022	1,329,721	56,993	125,582	1,450,015	1,455,303
Transfers	(671,173)	(504,791)	671,173	504,791	-	-
Change in net position	721,849	824,930	728,166	630,373	1,450,015	1,455,303
Net position at beginning of year, as previously reported	1,287,214	462,284	5,278,250	4,647,877	6,565,464	5,110,161
Cumulative effect of accounting change	-	-	(8,580)	-	(8,580)	-
Net position at beginning of year, as restated	1,287,214	462,284	5,269,670	4,647,877	6,556,884	5,110,161
Net position at end of year	$ 2,009,063	$ 1,287,214	$ 5,997,836	$ 5,278,250	$ 8,006,899	$ 6,565,464

Analysis of Changes in Net Position

The City's Change in Net Position decreased by $5.3 million in fiscal year 2015-16, a 0.4 percent decrease from the prior fiscal year, as noted above. The decrease in the change in net position was due to a $97.8 million increase from business-type activities offset by a $103.1 million decrease from governmental activities.

The City's governmental activities experienced a $469.1 million or 8.8 percent growth in total revenues. This included noticeable increases in the following revenues: $164.2 charges for services, $124.6 million in operating grants and contributions, $168.5 million in property taxes, $49.0 million in business taxes and $29.6 million in sales and use tax. These were offset by decreases of $23.4 million in capital grants and contribution revenue and $52.1 million in other local tax revenue. The City's governmental activities expenses reported an increase of $405.8 million or 10.1 percent this fiscal year. The net transfer to business-type activities increased by $166.4 million. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.





CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2016

Governmental activities. Governmental activities increased the City's total net position by approximately $721.8 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $5.80 billion, a $469.1 million or 8.8 percent increase over the prior year. For the same period, expenses totaled $4.41 billion before transfers of $671.2 million, resulting in a total net position increase of $721.8 million by June 30, 2016.

Property tax revenues increased by $168.5 million or 10.3 percent. This growth was due in large part to regular annual tax and escape tax collections associated with higher assessed values of secured real property and unsecured property in San Francisco and also due to increase in supplemental property tax collections for both current year and prior year supplemental assessments. A decrease in real property transfer tax by $45.5 million made up the majority of the decline in other local taxes of $52.1 million.

Revenues from business and sales and use taxes totaled approximately $931.0 million, a growth of $78.6 million over the prior year. Business taxes grew by $49.0 million due to an increase in payroll tax revenue resulting from a 5.7 percent increase in employment and a 6.1 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition E passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by $29.6 million is primarily due to the "triple flip" unwinding, in which 0.25 percent of the 1 percent Bradley Burns allocation was directed to property tax to pay for economic recovery bonds, with the remaining 0.75 percent being allocated to local sales tax. Beginning in January 2016, the entire 1 percent of Bradley Burns revenue has been allocated as sales tax. In addition, there was approximately 1 percent of underlying growth, which was restrained by unexpectedly flat auto sales, a decline in general consumer goods-related revenue, and declines in fuel tax due to both continued low gas prices and changes in jet fuel purchasing to lower-cost states.

Hotel room tax revenues declined by $6.6 million, or 1.7 percent, due to in prior fiscal year, the City received $34.0 million in previously unpaid short-term rental tax obligations. Excluding this payment, hotel room tax revenue would have seen growth over the prior year of 7.6 percent. Hotel room tax revenue growth is a function of changes in occupancy, Average Daily Room Rate (ADR), and room supply. Strong demand from all segments of the market (tourist, convention, and business), combined with no additions to inventory, have exerted upward pressure on both occupancy and ADR.

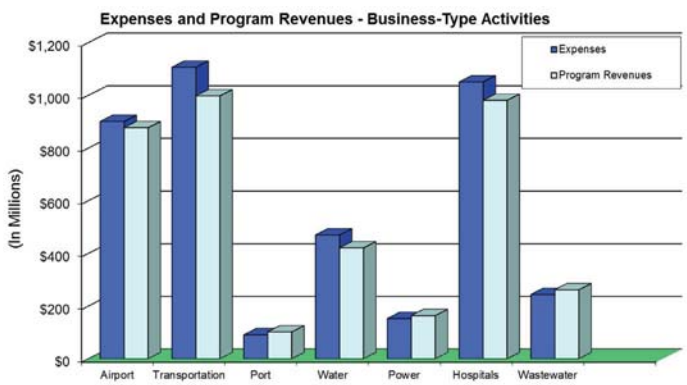
Operating grants and contributions increased $124.6 million. This was largely due to the increases from state sources, including $24.8 million for human welfare programs, $36.8 million for community health program grants, $49.5 million for public works programs, $8.9 million for public protection, $4.9 million for culture and recreation programs and $1.3 million for general administration and finance programs. These were offset by a slight decrease of $1.6 million in general city responsibilities programs.

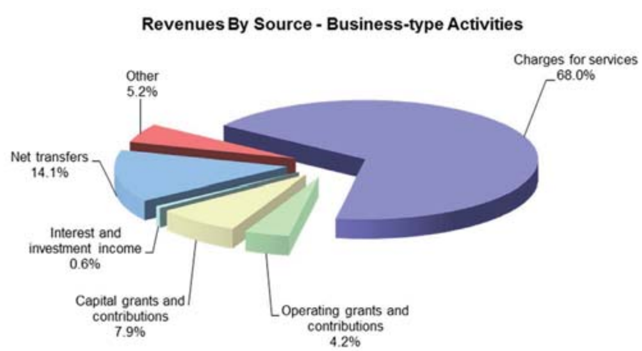
Total charges for services increased $164.2 million, or 26.8 percent, and other revenues increased $12.4 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. The more significant increases are discussed as follows. The City is addressing the need for affordable housing by increasing supply resulting in a $90 million increase in housing inclusionary fees. An increase in large housing projects in the South of Market District increased SOMA Stabilization impact fees by $12.5 million. The Department of Building Inspection's permit revenue increased $12.7 million due to an increase in construction permits and project completion. Fire Department charges for services increased by $8.2 million due to ambulance billing recoveries, as well as plan check and inspection fees for developers. The Department of Public Works charges for services increased by $4.3 million largely due to curb reconstruction and assessments, as well as encroachment assessments. The Planning Department's revenues grew by more than $4.6 million from increased building permits and planning case volume, as well as CPI adjustments to fees. In addition, an increase of $3.8 million in the citywide unallocated revenue was due to increased cost reimbursement of General Fund, consistent with the budgeted Full Cost Allocation Plan. The increase in other revenues is related to revenue received from the San Francisco Housing Authority much earlier than expected, as the Housing Authority's permanent financing plan was enacted.

Interest and investment income revenue increased by $3.3 million, or 16.0 percent, due to increased balances in the City's investment pool, primarily due to an increase in property tax revenues, business and sales tax revenues, and other revenues.

Net transfers from the governmental activities to business-type activities were $671.2 million, a 33.0 percent or $166.4 million increase from the prior year. This was mainly due to increased operating subsidies of $36.7 million from the General Fund to SFMTA and $85.1 million to SFGH, offset by a decrease of $18.5 million in General Fund subsidies to LHH. In addition, the Water Enterprise received $34.2 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System, the Port received $21.7 million for parks and open spaces projects, and SFMTA received $61.9 million for road improvement and street safety projects.

The increase of total governmental expenses of $405.8 million, or 10.1 percent, was primarily due to increase in demand for the government's services in almost all functional service by $453.9 million, which was partly offset by the decrease of expenses in culture and recreation and general administrative and finance functions by $48.1 million.





CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2016

Business-type activities increased the City's net position by $719.6 million and key factors contributing to this increase are:

- The San Francisco International Airport had an increase in net position at fiscal year-end of $49.9 million, compared to a $56.1 million increase in the prior year, a $6.2 million difference. Operating revenues totaled $867.0 million for fiscal year 2015-16, an increase of $51.6 million or 6.3 percent over the prior year and included increases of $30.8 million, $2.1 million, $11.7 million, and $7.0 million in aviation, concession, parking and transportation, and net sales and services revenues, respectively, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses increased by $31.4 million, or 5.2 percent, for a net operating income of $226.5 million for the period. Net non-operating activities saw a deficit of $144.5 million versus $141.8 million deficit in the prior year, a $2.6 million increase. The increase in both operating and non-operating expenses is due to increases in personnel, depreciation, and other non-operating expenses. Personnel costs increased $14.4 million due to cost of living adjustments and additional positions. Also, capital contributions decreased by $21.7 million due to a reduction in federal grants received.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $26.2 million at the end of fiscal year 2015-16, compared to an increase of $97.4 million at the end of the previous year, a $71.2 million difference. Revenues totaled $463.2 million, expenses totaled $470.3 million, and the net increase from capital contributions and transfers was $33.2 million. Compared to the prior year, total revenues decreased $24.8 million, which included $16.1 million in non-operating revenues. The primary reason for the decrease in water service revenues was due to a $19.3 million wholesale revenue adjustment and a 10.3% decrease in consumption, offset by adopted rate increases of 28.0% for wholesale customers and 12.0% for retail customers. Within expenses, the enterprise reported a total increase of $28.6 million in fiscal year 2015-16. This included an $11.3 million increase in depreciation expense from increased capitalized assets, a $1.3 million increase in general and administrative and other expenses, a $3.8 million increase in personnel services, $0.7 million increase in construction and engineering contractual services, $0.5 million increase in services provided by other departments, and $0.2 million for building and construction supplies.

- Hetch Hetchy Water and Power ended fiscal year 2015-16 with a net position increase of $25.7 million, compared to a $11.1 million increase the prior year, a difference of $14.6 million. This change consisted of increases in operating income of $12.4 million, non-operating income of $3.6 million, and a decrease of transfers from (to) the City of $1.4 million. This enterprise consists of two segments: Hetchy Water upcountry operations and water system, which reported a $2.3 million increase in change in net position, and Hetchy Power (also known as the Power Enterprise), which reported a $23.4 million increase in change in net position. Hetchy Water operating revenues decreased by $0.1 million while operating expenses decreased by $2.2 million. In addition, there was a $0.2 million decrease in water assessment fee revenue from the Water Enterprise in nonoperating revenue. Hetchy Power's total revenues increased by $17.0 million mostly due to increases in sales of excess power of $9.3 million, $4.4 million from City Departments, and an increase of $3.3 million electricity sales from CleanPowerSF. On the operating expenses side, Hetchy Power reported an increase of $6.7 million due to increases of $3.5 million in purchased electricity, $3.0 million in transmission and distribution power costs, $2.5 million in project spending, $1.4 million in services provided by other departments, $0.8 million in materials and electrical supplies, $0.4 million in personnel services mainly due to cost of living adjustments and pension costs and $0.4 million in personnel services mainly due to cost of living adjustments and pension costs and $0.4 million higher taxes, licenses and permits related to national park service. These increases were offset by decreases of $2.4 million in contractual services, $1.8 million in judgments and claims mainly due to prior year one-time settlement of franchise tax fees, and $1.1 million in depreciation.

- The City's Wastewater Enterprise's net position increased by $13.9 million, compared to a $29.3 million increase the prior year, a $15.4 million change. Operating revenues increased by $5.8 million due to a $4.6 million increase in charges for services as a result of an average 5% adopted rate increase, a $0.4 million increase from other City departments, as well as increased capacity fees and an increase in permit applications. Operating expenses increased by $5.1 million due to increases of $3.1 million in Sewer System Improvement Program (SSIP) and repair and replacement project expenses, $2.7

million in personnel services mainly due to cost of living adjustments, health and pension costs, $2.1 million in pollution remediation obligations, $1.2 million in higher building and equipment maintenance services, $0.5 in depreciation expense, and $0.4 million in materials and supplies, which were offset by decreases of $4.9 million in general and administrative expenses mainly due to lower judgment and claims liability based on actuarial estimate. Transfers out increased by $16.3 million due to a transfer to the General Fund in order to secure jurisdiction of the City owned property adjacent to the Southeast Water Pollution Control Plant. This was offset by a transfer in of $0.5 million and a net nonoperating expense of $0.3 million.

- The Port ended fiscal year 2015-16 with a net position increase of $35.1 million, compared to a $11.8 million increase in the previous year, a $23.3 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 2015-16, operating revenues increased $4.4 million and included a net increase in property rentals of $1.8 million and an increase in cruise revenues of $2.7 million. Operating expenses increased $3.1 million over the prior year. This was due in part to a $2.0 million increase in the cost of services from other departments and a net increase of $1.5 million in personnel and other expenses. The above changes were offset by an increase of $0.4 million in interest expense.
- The SFMTA had an increase in net position of $478.3 million for fiscal year 2015-16 before cumulative effect of accounting change, compared to an increase of $294.7 million in the prior year, a $183.6 million change. SFMTA's total operating revenues were $495.3 million, while total operating expenses reached $1.10 billion. Operating revenues decreased by $4.3 million compared to the prior year and is mainly due to lower passenger fare revenue of $8.0 million, a slight decrease in rental income of $0.8 million, and $3.6 million in other revenues which consists primarily of taxi medallion revenue. These decreases were offset by an increase of $7.8 million in parking permit, fines, and penalties, and an increase in charges for services of $0.3 million. Operating expenses increased by $88.8 million primarily due to personnel costs. Net nonoperating revenue increased by $39.8 million mainly due to transit impact developer fees. An increase of capital contributions of $91.1 million is due to an increase in capital expenditures incurred and billable to grantors mostly related to Central Subway, revenue vehicles procurement, and other large projects. Net transfers in increased by $145.8 million due to a $36.7 million increase in transfers from the City's General Fund mainly for operating subsidies and an increase of $99.7 million in transfers from nonmajor governmental funds and a decrease in transfers out of $9.4 million. Transfers from nonmajor governmental funds included $123.8 million for capital activities and street improvement projects. In fiscal year 2015-16, the City elected early implementation of GASB Statement No. 82, resulting in a restatement of SFMTA's 2014-15 results, reducing the beginning net position in the amount of $8.6 million.
- LHH, the City's skilled nursing care hospital, had an increase in net position of $21.6 million at the end of fiscal year 2015-16, compared to an increase of $6.6 million at the end of the previous year, a $15.0 million difference. The LHH's loss before capital contributions and transfers for the year was $22.7 million versus a loss of $61.5 million for the prior year. This change of $38.8 million was mostly due to a $48.8 million increase in operating revenues, a $8.6 million increase in operating expenses, and a $1.3 million decrease in other non-operating revenues. This was offset by a $23.9 million decrease in net transfers from the City this fiscal year.
- SFGH, the City's acute care hospital, ended fiscal year 2015-16 with a net position increase of $77.6 million, compared to a $123.4 million increase the prior year, a $45.8 million change. This was due to decreased capital contributions of $5.0 million compared to prior year's capital contributions of $57.4 million. However, SFGH incurred an operating loss of $89.6 million, which was a $66.0 million increase from the prior year. This was due to a $21.2 million decrease in operating revenues, largely related to net patient services revenues; and increases in operating expenses mostly due to $26.2 million in personal services, $7.2 million in contractual services, and $10.9 million in depreciation and amortization.

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 2015-16, the City governmental funds reported combined fund balances of $2.84 billion, an increase of $546.5 million or 23.9 percent over the prior year. Of the total fund balances, $945.7 million is assigned and $138.0 million is unassigned. The total of $1.08 million or 38.2 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 $879.6 million. The remainder of the governmental fund balances includes $0.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.56 billion restricted for programs at various levels and $187.2 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 $1.12 billion while total fund balance reached $1.43 billion. Combined assigned and unassigned fund balances represent 33.7 percent of total expenditures, while total fund balance represents 43.0 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.03 billion, before transfers and other items of $748.4 million, resulting in total fund balance increasing by $284.0 million. Overall, the significant growth in revenues, particularly in property taxes, business taxes, sales and uses tax and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased 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 2015-16, the unrestricted net position for the proprietary funds was as follows: Airport: $36.0 million, Water Enterprise: $26.5 million, Hetch Hetchy Water and Power: $141.1 million, Wastewater Enterprise: $38.0 million, and the Port: $57.1 million. In addition, SFMTA, San Francisco General Hospital, and Laguna Honda Hospital had deficits in unrestricted net position of $3.4 million, $341.4 million, and $185.5 million, respectively.

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 $728.2 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	$ 866,991	$ 640,473	$ 226,518	$ (144,463)	$ 10,424	$ (42,542)	$ 49,937
Water	419,516	314,786	104,730	(111,771)	-	33,244	26,203
Hetch Hetchy	164,736	148,495	16,241	8,759	-	680	25,680
Municipal Transportation Agency	495,296	1,100,234	(604,938)	206,529	357,871	518,795	478,257
General Hospital	717,053	806,694	(89,641)	53,520	5,000	108,681	77,560
Wastewater Enterprise	261,775	221,553	40,222	(10,309)	-	(16,025)	13,888
Port	99,733	86,793	12,940	(3,594)	1,629	24,100	35,075
Laguna Honda Hospital	205,267	235,841	(30,574)	7,900	-	44,240	21,566
Total	$ 3,230,367	$ 3,554,869	$ (324,502)	$ 6,571	$ 374,924	$ 671,173	$ 728,166

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2015-16, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled $20.34 billion, representing a $244.7 million decrease from the prior year, and 1.2 percent change. The decrease is a result of benefit payments greater than contributions offset by net investment income. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $377.0 million at year's end. This 11.4 percent, or $48.4 million, decrease in the net deficit is due to increases in developer payments and the sale of the Jessie Square parking garage. The Investment Trust Fund's net position was $743.9 million at year's end, and the 37.8 percent increase represents the excess of contributions over distribution to external participants.

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 $138.2 million higher than the final budget. The City realized $101.3 million, $24.6 million, $17.4 million, $15.4 million, $13.6 million, and $5.1 million more revenue than budgeted in property taxes, business taxes, other resources, charges for services, other grants and subventions, and utility users tax, respectively. These increases were partly offset by reductions of $28.9 million, $7.2 million, $5.4 million, and $5.0 million, in transfers from other funds, real property transfer tax, health and welfare realignment, and sales and use tax, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $158.5 million in expenditure savings. Major factors include:

- $85.3 million in savings from the Department of Public Health due to delays in contracting and hiring for vacant positions creating additional salary and fringe benefit savings, and prior year encumbrance closeouts.
- $36.5 million in savings from the Human Services Agency, due largely to operating savings in salaries and benefits from delays in hiring, contract savings, reductions in aid assistance and aid payments resulting from a mid-year change in budgeting, and lower than expected caseload levels.

- $11.8 million savings in contracts and salary and benefits mainly in General Services Administration, Treasurer/Tax Collector, Assessor/Recorder, City Planning, City Attorney, Board of Supervisors, Elections, and other departments in general administration and finance.
- $10.1 million in salary and benefit savings mainly in Juvenile Probation, Adult Probation, Sheriff, Emergency Communications and other departments in public protection.
- The remaining lower than budgeted expenditures are savings from public works, transportation and commerce, and culture and recreation.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve deposits was a budgetary fund balance available for subsequent year appropriation of $435.2 million at the end of fiscal year 2015-16. The City's fiscal year 2016-17 and 2017-18 Adopted Original Budget assumed an available balance of $363.3 million fully appropriated in fiscal year 2016-17 and fiscal year 2017-18 leaving $11.9 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional budgetary fund balance details).

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2016, increased by $1.20 billion, 6.1 percent, to $20.82 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 $250.6 million or 21.0 percent to this total increase while $945.6 million or 79.0 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 334,261	$ 299,911	$ 217,441	$ 217,441	$ 551,702	$ 517,352
Construction in progress	456,093	1,245,064	3,120,461	3,104,166	3,576,554	4,349,230
Facilities and improvements	3,372,183	2,544,116	10,484,335	9,716,578	13,856,518	12,260,694
Machinery and equipment	201,333	76,202	1,112,860	926,979	1,314,193	1,003,181
Infrastructure	686,365	659,502	701,029	719,240	1,387,394	1,378,742
Intangible asset	75,117	49,915	59,691	65,802	134,808	115,717
Total	$ 5,125,352	$ 4,874,710	$ 15,695,817	$ 14,750,206	$ 20,821,169	$ 19,624,916

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

- Under governmental activities, net capital assets increased by $250.6 million or 5.1 percent. The City issued $713.4 million in Commercial Paper to provide financing for various capital projects, including the purchase of capital equipment for San Francisco General Hospital, the Veterans Building seismic upgrades, and the Moscone Center expansion. Approximately $1.1 billion in construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. The completed projects include capitalization of approximately $848.0 million for the new San Francisco General Hospital Rebuild Project and approximately $135.8 million for the seismic upgrade of the Veterans building. The remaining completed projects include public works, intangible assets, and traffic signal projects.

- The Water Enterprise's net capital assets increased by $245.2 million or 5.3 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Regional Groundwater Storage and Recovery, the Harry Tracy Water Treatment Plan Long-Term Improvements, Auxiliary Water Supply System, San Francisco Groundwater Supply, Peninsula Pipeline Seismic Upgrade, Irvington Tunnel Alternatives, and other upgrade and improvement programs. As of June 30, 2016, the Water Enterprise is 90% through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2016, 34 local projects are completed and the target completion date is December 2016. For regional projects, 36 are completed and the expected completion date is December 2019. The Water System Improvement Program (WSIP) delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- SFMTA's net capital assets increased by $400.7 million or 14.6% mainly from construction in progress of $212.7 million for the new Central Subway Project, Central Control, rail replacement, transit lane and street improvement projects. Equipment costs of $283.1 million was incurred during the fiscal year for the procurement of new light rail vehicles, trolley and motor buses to replace the old fleet, upgrade of communications system, traffic signals, radio replacement, and various information systems development. Building cost totaling $36.2 million was incurred in fiscal year 2016 for Islais Creek facility improvement, transit operator convenience stations, elevator and escalator modernization, and upgrade of garage facilities in various locations.

- Laguna Honda Hospital's net capital assets decreased by $15.0 million or 2.8 percent due primarily to depreciation expense being greater than asset additions. Laguna Honda Hospital provides 780 resident beds in three state of the art buildings on Laguna Honda'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 increased by $61.0 million or 49.1 percent primarily due to the increases in the acquisition of capital assets for the hospital. As of June 30, 2016, General Obligation Bonds in the amount of $887.4 million have been sold to fund the hospital rebuild. During the period of July 2015 - June 2016, construction of the new hospital was completed and reached substantial completion on August 18, 2015. Patients were moved into the new hospital on May 21, 2016. The General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds. Upon completion of the new facility, it was capitalized and recorded under governmental activities.

- The Wastewater Enterprise net capital assets reported an increase of $126.9 million or 6.6 percent mainly in completed construction activities. These include the Northshore to Channel Force Main, Ocean Side Treatment Plant Improvements, Southeast Treatment Plant Oxygen Generate Plant Replacement, and other capital projects throughout the system. The San Francisco Public Utilities Commission is underway with the initial phase of the Sewer System Improvement Program, a multi-year and multi-billion dollar investment to upgrade the aging sewer system to provide a reliable, sustainable, and seismically safe sewer system. The $7.0 billion program includes three phases over the span of next 20 years.

- Hetch Hetchy's net of accumulated depreciation and amortization, increased by $30.9 million or 8.3% to $404.2 million primarily due to additions of facilities, improvements, machinery, and equipment for Moccasin Facilities Upgrade, Transmission and Distribution System, Lower Cherry Aqueduct, Streetlight Replacement, Server Building projects, and San Joaquin Pipeline Rehabilitation. The Hetchy System Improvement Program is a long-term capital program from 2012 to 2025 and includes projects, varying in scope and complexity, to address necessary work on water transmission, hydroelectric generation and power transmission facilities in Tuolumne, Mariposa, Stanislaus, San Joaquin and Alameda counties, essential to continued delivery of both water and power.

- The Airport's net capital assets increased $109.2 million or 2.8 percent primarily due to the capitalization of capital improvement project costs. The Airport has five- and ten-year Capital Plans 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. Significant projects in design or under construction in fiscal year 2017 include the Terminal 1 (T1) Redevelopment Program which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system, in addition to the Terminal 3 (T3) Redevelopment Program which creates a unified T3 checkpoint and constructs a new secure connector and office block. Other notable ongoing projects include the on-airport hotel, a new consolidated administration campus building, a second long-term parking garage, and a new industrial waste treatment plant.

- The Port's net capital assets decreased by $13.3 million or 3.0 percent due to capitalization and depreciation of capital improvements in 2015, including the James R. Herman Cruise Terminal at Pier 27. Pier 35 Building and Roof project provided for the upgrade of two elevators and essential water intrusion work (roofing, flashing, window and door weather stripping repairs) in several areas in the Pier 35 bulkhead and the shed building. Pier 49, Wharf J1 Under-Pier Sewer Replacement project's scope included the replacement of all existing under-pier gravity main and branch sewer lines serving six Port tenant restaurants at Pier 49 Wharf J1. The security improvements through the installation and deployment of closed-circuit television (CCTV) and integrated access control/intrusion detection systems at key Port facilities continue in phases, largely based on priority and available funding. The opening of the Bayview Gateway was celebrated with a ribbon-cutting ceremony on September 18, 2015. It is a one-acre passive green open space at the intersection of Cargo Way and Third Street near Pier 90.

At the end of the year, the City's business-type activities had approximately $1.20 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $283.3 million, SFMTA had $567.2 million, Wastewater had $190.7 million, Airport had $75.8 million, Hetch Hetchy had $63.6 million, Port had $15.1 million, Laguna Honda Hospital had $0.7 million and the General Hospital had $4.2 million. In addition, there was approximately $88.0 million reserved for encumbrances in capital project funds for the general government projects.

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.

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

Debt Administration

At the end of the June 30, 2016, the City had total long-term and commercial paper debt outstanding of $14.39 billion. Of this amount, $2.22 billion is 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 and $12.17 billion is revenue bonds, commercial papers, 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 $516.7 million or 3.7 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was $152.1 million primarily due to the issuance of $321.9 million of general obligation bonds to finance 1) the improvements to the City's transportation system, streets and roads; 2) improvements to park, open space and recreational facilities; 3) repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The City likewise issued $150.5 million certificates of participation to refinance commercial paper notes used to finance the renovation and seismic retrofit of the War Memorial Veterans Building. The City refunded $123.6 million certificates of participation which financed the acquisition of certain office buildings occupied by various City departments for debt service savings.

The business-type activities net debt increase was $364.6 million primarily due to issuance of $338.9 million commercial paper notes by the Airport, Water Enterprise, Wastewater Enterprise and the San Francisco General Hospital for interim financing of various projects. The Wastewater Enterprise issued $308.4 million revenue bonds to finance wastewater capital projects and the Hetch Hetchy Power Enterprise issued $4.1 million energy bonds to fund certain solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The Airport issued $232.1 million in revenue refunding bonds for economic gain.

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 $194.30 billion in value as of the close of the fiscal year. As of June 30, 2016, the City had $2.22 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2016, there were an additional $1.62 billion in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.90 percent of gross (1.98 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2016 were:

Moody's Investors Service, Inc.	Aa1
Standard & Poor's	AA+
Fitch Ratings	AA+

During the fiscal year, Moody's Investors Service (Moody's) and Standard & Poor's affirmed the City's ratings of "Aa1" and "AA+", respectively, with Stable Outlook. Fitch Ratings upgraded it's rating of "AA" to "AA+", and revised the rating outlook to Stable from Positive on all the City's outstanding general obligation bonds.

The City's enterprise activities carried upgraded underlying debt ratings for the SFMTA of "Aa2" and "AA" from Moody's and Standard & Poor's, respectively. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+" with Stable Rating Outlooks, respectively. The Water Enterprise carried underlying ratings of "Aa3" and "AA-" and the Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard and Poor's respectively of June 30, 2016.

In October 2016, Moody's Investors Service upgraded the City's Lease Revenue Bonds and Certificates of Participation from Aa3 to Aa2 for those secured by "more essential assets", and also upgraded the City's Lease Revenue Refunding bonds from Aa3 to Aa2, including Series 2008-1 and 2008-2, despite the "less essential" nature of the leased assets securing the bonds, because they are a demonstrated, stable non-pledged revenue source that provides strong coverage of debt service payments. Moody's also upgraded the rating on the City's Equipment Leases from A1 to Aa2, because of the strong lease structure where the lease term matches the useful life of the leased assets.

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 has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2016-17 and 2017-18. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, the Port of San Francisco and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2015-16 was 3.4 percent, a decrease of 0.5 percent from the average unemployment rate in fiscal year 2014-15.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2015-16 was $1.1 million up 10.4 percent from the previous fiscal year. Residential and commercial rents also grew by 4.9 percent and 6.5 percent, respectively, from the prior fiscal year.
- The hotel sector saw continued growth in fiscal year 2015-16 over the prior year. Annual average hotel room occupancy grew to 87.7 percent in fiscal year 2015-16 while average daily room rates grew by 5.7 percent over the prior year.
- The City's taxable sales have also continued to grow, with fiscal year 2015-16 sales tax revenue up 11.2 percent over fiscal year 2014-15.

The Board of Supervisors approved a final two-year budget for fiscal years 2016-17 and 2017-18 in July 2016, which assumes use of prior year fund balance from General Fund of $172.1 million and $191.2 million, respectively.

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
San Francisco, CA 94102

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

Municipal Transportation Agency
SFMTA Finance and Information Technology Services
1 South Van Ness Avenue, 8th 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 2A7
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

Blended Component Units Financial Statements

San Francisco County Transportation Authority
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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position
June 30, 2016
(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	$ 3,314,988	$ 2,370,166	$ 5,685,154	$ 11,130
Deposits and investments outside City Treasury	84,845	16,494	101,339	-
Receivables (net of allowance for uncollectible amounts of $220,815 for the primary government):				
Property taxes and penalties	77,241	-	77,241	-
Other local taxes	278,763	-	278,763	-
Federal and state grants and subventions	303,316	225,984	529,300	-
Charges for services	99,972	232,251	332,223	1,130
Interest and other	16,455	199,453	215,908	12
Due from component units	2,437	594	3,031	-
Inventories	-	102,000	102,000	-
Other assets	7,121	3,163	10,284	-
Restricted assets:				
Deposits and investments with City Treasury	-	250,115	250,115	-
Deposits and investments outside City Treasury	25,349	312,380	337,729	-
Grants and other receivables	-	21,138	21,138	-
Total current assets	4,210,487	3,733,738	7,944,225	12,272
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $1,121,995)	81,801	-	81,801	-
Advance to component units	17,496	2,827	20,323	-
Other assets	6	12,660	12,666	-
Restricted assets:				
Deposits and investments with City Treasury	-	697,292	697,292	-
Deposits and investments outside City Treasury	-	423,364	423,364	-
Grants and other receivables	-	24,114	24,114	-
Capital assets:				
Land and other assets not being depreciated	821,524	3,349,945	4,171,469	5,529
Facilities, infrastructure and equipment, net of depreciation	4,303,828	12,345,872	16,649,700	17
Total capital assets	5,125,352	15,695,817	20,821,169	5,546
Total noncurrent assets	5,224,655	16,856,074	22,080,729	5,546
Total assets	9,435,142	20,589,812	30,024,954	17,818
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	18,373	105,229	123,602	-
Deferred outflows on derivative instruments	-	83,614	83,614	-
Deferred outflows related to pensions	386,187	301,184	687,371	22
Total deferred outflows of resources	$ 404,560	$ 490,027	$ 894,587	$ 22

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, 2016
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 361,180	$ 270,548	$ 631,728	$ 4,126
Accrued payroll	91,124	71,008	162,132	-
Accrued vacation and sick leave pay	85,868	64,822	150,690	-
Accrued workers' compensation	39,357	31,867	71,224	-
Estimated claims payable	53,627	52,808	106,435	-
Bonds, loans, capital leases, and other payables	276,685	574,729	851,414	-
Accrued interest payable	13,208	52,885	66,093	-
Unearned grant and subvention revenues	24,250	-	24,250	-
Due to primary government	-	-	-	420
Internal balances	21,995	(21,995)	-	-
Unearned revenues and other liabilities	494,854	621,224	1,116,078	1,488
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	373,378	373,378	-
Accrued interest payable	-	31,475	31,475	-
Other	-	173,084	173,084	-
Total current liabilities	1,462,148	2,295,833	3,757,981	6,034
Noncurrent liabilities:				
Accrued vacation and sick leave pay	65,159	43,791	108,950	-
Accrued workers' compensation	188,468	157,736	346,204	-
Other postemployment benefits obligation	1,202,986	878,590	2,081,576	-
Estimated claims payable	106,871	64,260	171,131	-
Bonds, loans, capital leases, and other payables	3,017,840	10,151,025	13,168,865	-
Advance from primary government	-	-	-	5,721
Unearned revenues and other liabilities	2,022	94,414	96,436	-
Derivative instruments liabilities	-	96,132	96,132	-
Net pension liability	1,355,280	976,938	2,332,218	24
Total noncurrent liabilities	5,938,626	12,462,886	18,401,512	5,745
Total liabilities	7,400,774	14,758,719	22,159,493	11,779
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	236	337	573	-
Unamortized gain on leaseback transaction	-	4,349	4,349	-
Deferred inflows related to pensions	429,629	318,598	748,227	3
Total deferred inflows of resources	429,865	323,284	753,149	3
NET POSITION				
Net investment in capital assets, Note 10(d)	2,750,782	5,690,741	8,151,422	5,546
Restricted for:				
Reserve for rainy day	120,106	-	120,106	-
Debt service	83,029	127,073	210,102	-
Capital projects, Note 10(d)	198,962	340,896	423,132	-
Community development	433,398	-	433,398	-
Transportation Authority activities	15,657	-	15,657	-
Building inspection programs	134,663	-	134,663	-
Children and families	105,177	-	105,177	-
Culture and recreation	110,292	-	110,292	-
Grants	84,332	-	84,332	-
Other purposes	45,900	70,505	116,405	-
Total restricted	1,331,516	538,474	1,753,264	-
Unrestricted (deficit), Note 10(d)	(2,073,235)	(231,379)	(1,897,787)	512
Total net position	$ 2,009,063	$ 5,997,836	$ 8,006,899	$ 6,058

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, 2016
(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	$1,222,549	$ 86,164	$ 191,215	$ -	$ (945,170)	$ -	$ (945,170)	$ -
Public works, transportation and commerce	418,978	130,410	125,081	22,520	(140,967)	-	(140,967)	-
Human welfare and neighborhood development	1,233,403	273,986	639,475	-	(319,942)	-	(319,942)	-
Community health	747,071	90,078	310,895	-	(346,098)	-	(346,098)	-
Culture and recreation	311,028	98,205	6,236	2,275	(204,312)	-	(204,312)	-
General administration and finance	246,383	52,417	6,680	-	(187,286)	-	(187,286)	-
General City responsibilities	113,490	45,922	10,320	-	(57,248)	-	(57,248)	-
Unallocated interest on long-term debt and cost of issuance	115,357	-	-	-	(115,357)	-	(115,357)	-
Total governmental activities	4,408,259	777,182	1,289,902	24,795	(2,316,380)	-	(2,316,380)	-
Business-type activities:								
Airport	900,621	866,991	-	10,424	-	(23,206)	(23,206)	-
Transportation	1,106,420	495,296	144,422	357,871	-	(108,831)	(108,831)	-
Port	91,449	99,733	177	1,629	-	10,090	10,090	-
Water	470,254	419,516	1,720	-	-	(49,018)	(49,018)	-
Power	153,472	164,736	-	-	-	11,264	11,264	-
Hospitals	1,050,618	922,320	53,304	5,000	-	(69,994)	(69,994)	-
Sewer	244,289	261,775	-	-	-	17,486	17,486	-
Total business-type activities	4,017,123	3,230,367	199,623	374,924	-	(212,209)	(212,209)	-
Total primary government	$8,425,382	$4,007,549	$ 1,489,525	$ 399,719	(2,316,380)	(212,209)	(2,528,589)	-
Component unit:								
Treasure Island Development Authority	$ 11,153	$ 11,842	$ -	$ -				$ 689
General Revenues								
Taxes:								
Property taxes					1,808,917	-	1,808,917	-
Business taxes					660,926	-	660,926	-
Sales and use tax					270,051	-	270,051	-
Hotel room tax					387,661	-	387,661	-
Utility users tax					98,651	-	98,651	-
Parking tax					86,012	-	86,012	-
Real property transfer tax					269,090	-	269,090	-
Other local taxes					44,780	-	44,780	-
Interest and investment income					24,048	28,566	52,614	62
Other					59,266	240,636	299,902	-
Transfers - internal activities of primary government					(671,173)	671,173	-	-
Total general revenues and transfers					3,038,229	940,375	3,978,604	62
Change in net position					721,849	728,166	1,450,015	751
Net position at beginning of year, as previously reported					1,287,214	5,278,250	6,565,464	5,307
Cumulative effect of accounting change					-	(8,580)	(8,580)	-
Net position at beginning of year, as restated					1,287,214	5,269,670	6,556,884	5,307
Net position at end of year					$ 2,009,063	$5,997,836	$ 8,006,899	$ 6,058

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds

June 30, 2016
(With comparative financial information as of June 30, 2015)
(In Thousands)

	General Fund 2016	General Fund 2015	Other Governmental Funds 2016	Other Governmental Funds 2015	Total Governmental Funds 2016	Total Governmental Funds 2015
Assets:						
Deposits and investments with City Treasury	$ 1,723,488	$ 1,292,562	$ 1,556,236	$ 1,308,000	$ 3,279,724	$ 2,600,562
Deposits and investments outside City Treasury	3,183	8,880	81,662	98,659	84,845	107,539
Receivables (net of allowance for uncollectible amounts of $191,320 in 2016; $155,505 in 2015):						
Property taxes and penalties	61,564	53,171	15,677	12,142	77,241	65,313
Other local taxes	260,070	249,887	18,693	28,509	278,763	278,396
Federal and state grants and subventions	197,391	161,373	105,925	96,195	303,316	257,568
Charges for services	81,303	68,318	18,616	21,326	99,919	89,644
Interest and other	5,014	28,184	10,808	3,327	15,822	31,511
Due from other funds	4,596	5,848	7,466	6,334	12,062	12,182
Due from component unit	920	948	1,517	2,978	2,437	3,926
Advance to component unit	-	23,212	17,496	19,753	17,496	42,965
Loans receivable (net of allowance for uncollectible amounts of $1,121,995 in 2016; $1,004,667 in 2015)	6,473	3,560	75,328	73,140	81,801	76,700
Other assets	15	1,193	6,840	7,570	6,855	8,763
Total assets	$ 2,344,017	$ 1,897,136	$ 1,916,264	$ 1,677,933	$ 4,260,281	$ 3,575,069
Liabilities:						
Accounts payable	$ 229,248	$ 171,002	$ 124,473	$ 136,739	$ 353,721	$ 307,741
Accrued payroll	74,020	57,045	15,242	12,067	89,262	69,112
Unearned grant and subvention revenues	6,099	5,902	18,151	13,402	24,250	19,304
Due to other funds	1,599	639	32,097	19,681	33,696	20,320
Unearned revenues and other liabilities	439,522	347,054	55,274	53,806	494,796	400,860
Bonds, loans, capital leases, and other payables	-	-	102,778	157,766	102,778	157,766
Total liabilities	750,488	581,642	348,015	393,461	1,098,503	975,103
Deferred inflows of resources	164,367	170,298	161,937	140,725	326,304	311,023
Fund balances:						
Nonspendable	522	24,786	82	329	604	25,115
Restricted	120,106	114,969	1,443,956	1,110,836	1,564,062	1,225,805
Committed	187,170	142,815	-	-	187,170	142,815
Assigned	879,567	705,076	66,085	66,740	945,652	771,816
Unassigned	241,797	157,550	(103,811)	(34,158)	137,986	123,392
Total fund balances	1,429,162	1,145,196	1,406,312	1,143,747	2,835,474	2,288,943
Total liabilities, deferred inflows of resources and fund balances	$ 2,344,017	$ 1,897,136	$ 1,916,264	$ 1,677,933	$ 4,260,281	$ 3,575,069

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016
(In Thousands)

Fund balances – total governmental funds	$2,835,474
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.	5,114,367
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,710,404)
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.	326,310
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,893)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	17,046
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.	(1,374,202)
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, 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.	(187,635)
Net position of governmental activities	$2,009,063

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2016
(With comparative financial information as of June 30, 2015)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2016	2015	2016	2015	2016	2015
Revenues:						
Property taxes	$ 1,393,574	$ 1,272,623	$ 405,202	$ 369,536	$ 1,798,776	$ 1,642,159
Business taxes	659,086	609,614	1,840	2,318	660,926	611,932
Sales and use tax	167,915	140,146	99,528	100,278	267,443	240,424
Hotel room tax	387,661	394,262	-	-	387,661	394,262
Utility users tax	98,651	98,979	-	-	98,651	98,979
Parking tax	86,012	87,209	-	-	86,012	87,209
Real property transfer tax	269,090	314,603	-	-	269,090	314,603
Other local taxes	44,780	50,182	-	-	44,780	50,182
Licenses, permits and franchises	27,909	27,789	15,813	15,170	43,722	42,959
Fines, forfeitures, and penalties	8,985	6,369	27,184	21,785	36,169	28,154
Interest and investment income	9,613	7,867	14,318	12,716	23,931	20,583
Rents and concessions	46,553	24,339	89,312	74,763	135,865	99,102
Intergovernmental:						
Federal	231,098	230,434	185,725	234,762	416,823	465,196
State	667,450	620,877	109,416	130,697	776,866	751,574
Other	2,272	3,153	83,600	12,621	85,872	15,774
Charges for services	233,976	215,036	158,689	144,008	392,665	359,044
Other	22,291	9,162	242,431	114,443	264,722	123,605
Total revenues	4,356,916	4,112,644	1,433,058	1,233,097	5,789,974	5,345,741
Expenditures:						
Current:						
Public protection	1,204,666	1,148,405	64,334	61,752	1,269,000	1,210,157
Public works, transportation and commerce	136,762	87,452	279,390	206,547	416,152	293,999
Human welfare and neighborhood development	853,924	786,362	398,664	309,057	1,252,588	1,095,419
Community health	666,138	650,741	110,474	103,091	776,612	753,832
Culture and recreation	124,515	119,278	240,394	233,574	364,909	352,852
General administration and finance	223,844	208,695	53,885	42,675	277,729	251,370
General City responsibilities	114,663	98,620	21	38	114,684	98,658
Debt service:						
Principal retirement	-	-	252,456	200,497	252,456	200,497
Interest and other fiscal charges	-	-	119,723	121,371	119,723	121,371
Bond issuance costs	-	-	7,108	2,734	7,108	2,734
Capital outlay	-	-	223,904	412,740	223,904	412,740
Total expenditures	3,324,512	3,099,553	1,750,353	1,694,076	5,074,865	4,793,629
Excess (deficiency) of revenues over (under) expenditures	1,032,404	1,013,091	(317,295)	(460,979)	715,109	552,112
Other financing sources (uses):						
Transfers in	209,494	164,712	371,243	391,575	580,737	556,287
Transfers out	(962,343)	(873,741)	(289,457)	(187,345)	(1,251,800)	(1,061,086)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	595,925	449,530	595,925	449,530
Face value of loans issued	-	-	-	136,763	-	136,763
Premium on issuance of bonds	-	-	32,845	69,833	32,845	69,833
Payment to refunded bond escrow agent	-	-	(131,935)	(359,225)	(131,935)	(359,225)
Other financing sources-capital leases	4,411	5,572	1,239	2,178	5,650	7,750
Total other financing sources (uses)	(748,438)	(703,457)	579,860	503,309	(168,578)	(200,148)
Net changes in fund balances	283,966	309,634	262,565	42,330	546,531	351,964
Fund balances at beginning of year	1,145,196	835,562	1,143,747	1,101,417	2,288,943	1,936,979
Fund balances at end of year	$ 1,429,162	$ 1,145,196	$ 1,406,312	$ 1,143,747	$ 2,835,474	$ 2,288,943

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, 2016
(In Thousands)

Net changes in fund balances - total governmental funds	$546,531
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 and loss on disposal of capital assets in the current period.	249,229
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. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(155,660)
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 decreased in the governmental funds.	10,141
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 decreased in the governmental funds.	175
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 expenditures reported in the governmental funds.	5,068
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.	282,088
The issuance of long-term debt and capital leases 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 and other debt proceeds exceeded principal retirement in the current period.	(211,534)
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.	(32,845)
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 discounts, premiums and refunding losses and gains.	16,063
The activities of internal service funds are reported with governmental activities.	12,593
Change in net position of governmental activities	$ 721,849

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 183,249	$ 1,236,090	$ 1,236,090	$ -
Resources (Inflows):				
Property taxes	1,291,000	1,291,000	1,392,278	101,278
Business taxes	634,460	634,460	659,086	24,626
Other local taxes:				
Sales and use tax	172,937	172,937	167,915	(5,022)
Hotel room tax	384,090	384,090	387,661	3,571
Utility users tax	93,550	93,550	98,651	5,101
Parking tax	89,727	89,727	86,012	(3,715)
Real property transfer tax	276,280	276,280	269,090	(7,190)
Other local taxes	45,951	45,951	44,780	(1,171)
Licenses, permits and franchises:				
Licenses and permits	10,361	10,361	10,956	595
Franchise tax	16,802	16,802	16,953	151
Fines, forfeitures, and penalties	4,577	4,550	8,985	4,435
Interest and investment income	10,680	10,680	15,073	4,393
Rents and concessions:				
Garages - Recreation and Park	8,963	8,963	9,986	1,023
Rents and concessions - Recreation and Park	6,009	6,009	6,525	516
Other rents and concessions	460	460	1,727	1,267
Intergovernmental:				
Federal grants and subventions	242,894	240,649	237,800	(2,849)
State subventions:				
Social service subventions	106,451	105,678	105,888	210
Health / mental health subventions	156,238	155,871	157,788	1,917
Health and welfare realignment	245,529	245,529	240,131	(5,398)
Public safety sales tax	97,957	97,957	97,039	(918)
Other grants and subventions	51,462	51,462	65,054	13,592
Other	3,656	3,851	2,639	(1,212)
Charges for services:				
General government service charges	66,140	66,140	69,007	2,867
Public safety service charges	36,543	39,547	47,106	7,559
Recreation charges - Recreation and Park	19,566	19,572	20,570	998
MediCal, MediCare and health service charges	93,236	94,369	98,350	3,981
Other financing sources:				
Transfers from other funds	206,782	235,416	206,499	(28,917)
Repayment of loan from Component Unit	918	918	-	(918)
Other resources (inflows)	31,084	31,084	48,503	17,419
Subtotal - Resources (Inflows)	4,404,303	4,433,863	4,572,052	138,189
Total amounts available for appropriation	4,587,552	5,669,953	5,808,142	138,189

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 29,748	$ 28,866	$ 26,809	$ 2,057
District Attorney	45,890	45,756	45,550	206
Emergency Communications	54,021	51,229	49,732	1,497
Fire Department	329,039	333,066	332,821	245
Juvenile Probation	39,959	35,541	32,608	2,933
Police Department	477,298	480,431	479,929	502
Public Defender	31,515	31,329	30,904	425
Sheriff	182,424	173,053	171,491	1,562
Superior Court	31,715	31,736	31,034	702
Subtotal - Public Protection	1,221,609	1,211,007	1,200,878	10,129
Public Works, Transportation and Commerce				
Board of Appeals	929	941	861	80
Business and Economic Development	29,293	26,459	25,522	937
General Services Agency - Public Works	131,324	108,098	107,977	121
Public Utilities Commission	-	1,432	1,044	388
Municipal Transportation Agency	-	1,358	1,358	-
Subtotal - Public Works, Transportation and Commerce	161,546	138,288	136,762	1,526
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	35,414	32,912	32,912	-
Commission on the Status of Women	6,399	6,573	6,568	5
County Education Office	116	116	116	-
Environment	20	123	123	-
Human Rights Commission	2,614	2,478	2,223	255
Human Services	812,492	800,743	764,273	36,470
Mayor - Housing/Neighborhoods	42,963	49,124	47,422	1,702
Subtotal - Human Welfare and Neighborhood Development	900,018	892,069	853,637	38,432
Community Health				
Public Health	787,554	751,416	666,138	85,278
Culture and Recreation				
Academy of Sciences	5,235	5,370	5,365	5
Arts Commission	10,091	9,102	9,102	-
Asian Art Museum	9,603	9,382	9,019	363
Fine Arts Museum	15,780	15,099	14,551	548
Law Library	1,612	1,613	1,395	218
Recreation and Park Commission	94,741	84,687	84,687	-
Subtotal - Culture and Recreation	137,062	125,253	124,119	1,134

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement - General Fund (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 20,975	$ 20,638	$ 19,306	$ 1,332
Board of Supervisors	14,505	14,190	13,197	993
City Attorney	12,550	12,761	11,677	1,084
City Planning	37,407	36,807	36,753	54
Civil Service	813	666	581	85
Controller	12,058	15,782	15,467	315
Elections	18,531	17,853	16,905	948
Ethics Commission	3,927	3,375	3,064	311
General Services Agency - Administrative Services	62,317	55,327	51,846	3,481
General Services Agency - Technology	5,534	2,936	2,820	116
Health Service System	463	438	-	438
Human Resources	13,226	15,811	15,646	165
Mayor	5,506	5,546	5,546	-
Retirement Services	1,132	875	875	-
Treasurer/Tax Collector	34,964	32,642	30,159	2,483
Subtotal - General Administration and Finance	243,908	235,647	223,842	11,805
General City Responsibilities				
General City Responsibilities	136,881	113,672	113,672	-
Other financing uses:				
Debt service	2,372	26	-	26
Transfers to other funds	929,615	962,511	962,264	247
Budgetary reserves and designations	66,987	9,907	-	9,907
Total charges to appropriations	4,587,552	4,439,796	4,281,312	158,484
Total Sources less Current Year Uses	$ -	$ 1,230,157	$ 1,526,830	$ 296,673

Budgetary fund balance, June 30 before reserves and designations	$ 1,526,830
Reserves and designations made from budgetary fund balance not available for appropriation	(869,272)
Reserves for Litigation and Contingencies and General Reserves	(222,356)
Net Available Budgetary Fund Balance, June 30	$ 435,202
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 5,808,142
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	(1,236,090)
Property tax revenue - Teeter Plan net change from prior year	1,296
Change in unrealized gain/(loss) on investments	(798)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(4,662)
Interest earnings from other funds assigned to General Fund as other revenues	1,746
Grants, subventions and other receivables received after 60-day recognition period	(6,303)
Prepaid lease revenue, Civic Center Garage	84
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(206,499)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 4,356,916
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 4,281,312
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	4,411
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	1,053
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(962,264)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 3,324,512

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

June 30, 2016

(With comparative financial information as of June 30, 2015)

(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 2016	Total 2015	Governmental Activities - Internal Service Funds 2016	Governmental Activities - Internal Service Funds 2015
ASSETS												
Current Assets:												
Deposits and investments with City Treasury	$ 410,358	$ 323,916	$ 194,706	$ 811,548	$ 339,508	$ 159,118	$ 131,012	$ -	$ 2,370,166	$ 2,440,334	$ 35,264	$ 37,905
Deposits and investments outside City Treasury	5,937	136	10	10,271	10	123	5	2	16,494	16,355	-	-
Receivables (net of allowance for uncollectible amounts of $29,495 and $39,893 in 2016 and 2015, respectively):												
Federal and state grants and subventions	-	1,646	1,810	149,799	-	1,032	402	71,295	225,984	197,321	-	-
Charges for services	47,851	44,038	13,114	5,373	62,086	26,055	3,592	30,142	232,251	214,880	53	60
Interest and other	1,586	1,562	197	9,188	184,863	172	1,688	197	199,453	78,565	633	744
Lease receivable	-	-	-	-	-	-	-	-	-	-	14,409	19,227
Due from other funds	-	445	9,630	16,973	57	28	-	-	27,133	14,428	-	-
Due from component unit	-	94	418	31	-	51	-	-	594	213	-	-
Inventories	38	7,346	476	80,013	10,006	2,179	890	1,052	102,000	94,189	-	-
Other assets	1,807	-	234	780	-	89	253	-	3,163	1,714	-	-
Restricted assets:												
Deposits and investments with City Treasury	197,348	-	-	-	-	-	41,955	10,812	250,115	213,672	-	-
Deposits and investments outside City Treasury	63,885	192,814	2,933	-	-	39,757	10,555	2,436	312,380	177,978	25,349	28,242
Grants and other receivables	21,138	-	-	-	-	-	-	-	21,138	30,215	-	-
Total current assets	749,948	571,997	223,528	1,083,976	596,530	228,604	190,352	115,936	3,760,871	3,479,864	75,708	86,178
Noncurrent assets:												
Other assets	67	7,314	1,650	-	-	2,142	1,487	-	12,660	8,130	-	-
Capital lease receivable	-	-	-	-	-	-	-	-	-	-	179,041	193,622
Advance to component unit	-	-	2,827	-	-	-	-	-	2,827	3,027	-	-
Restricted assets:												
Deposits and investments with City Treasury	259,134	123,328	39,849	66,645	-	208,336	-	-	697,292	705,802	-	-
Deposits and investments outside City Treasury	381,237	-	2,577	18,091	8,557	-	-	12,902	423,364	558,543	-	4,665
Grants and other receivables	532	4,512	131	1,861	-	2,937	-	14,141	24,114	33,478	-	-
Capital assets:												
Land and other assets not being depreciated	296,183	1,015,270	91,551	1,387,285	38,105	401,741	119,488	322	3,349,945	3,333,650	-	-
Facilities, infrastructure, and equipment, net of depreciation	3,749,453	3,883,231	312,698	1,760,592	147,217	1,657,921	311,362	523,398	12,345,872	11,416,556	10,985	9,572
Total capital assets	4,045,636	4,898,501	404,249	3,147,877	185,322	2,059,662	430,850	523,720	15,695,817	14,750,206	10,985	9,572
Total noncurrent assets	4,686,606	5,033,655	451,283	3,234,474	193,879	2,273,077	432,337	550,763	16,856,074	16,059,186	190,026	207,859
Total assets	5,436,554	5,605,652	674,811	4,318,450	790,409	2,501,681	622,689	666,699	20,616,945	19,539,050	265,734	294,037
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt	68,100	36,184	-	-	-	945	-	-	105,229	118,867	1,091	1,171
Deferred outflows on derivative instruments	83,614	-	-	-	-	-	-	-	83,614	65,408	-	-
Deferred outflows related to pensions	43,982	32,695	8,324	98,333	67,677	14,589	6,467	29,117	301,184	259,933	7,475	6,199
Total deferred outflows of resources	195,696	68,879	8,324	98,333	67,677	15,534	6,467	29,117	490,027	444,208	8,566	7,370

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2016

(With comparative financial information as of June 30, 2015)

(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 2016	Total 2015	Governmental Activities - Internal Service Funds 2016	Governmental Activities - Internal Service Funds 2015
LIABILITIES												
Current liabilities:												
Accounts payable	$ 56,483	$ 16,319	$ 16,041	$ 131,103	$ 37,361	$ 8,242	$ 3,207	$ 1,792	$ 270,548	$ 241,510	$ 7,459	$ 8,580
Accrued payroll	9,579	5,725	2,189	24,285	17,272	3,981	1,284	6,693	71,008	56,627	1,862	1,356
Accrued vacation and sick leave pay	9,714	5,924	2,275	21,759	14,285	3,784	1,295	5,786	64,822	65,754	1,804	1,744
Accrued workers' compensation	1,413	1,551	555	20,251	4,315	1,023	416	2,343	31,867	28,188	342	350
Estimated claims payable	1,346	6,094	598	37,762	-	6,383	625	-	52,808	50,390	-	-
Due to other funds	-	786	-	2,503	513	1,271	65	-	5,138	6,101	361	189
Unearned revenues and other liabilities	67,556	24,804	4,175	141,576	339,969	2,398	12,488	28,258	621,224	638,191	21,049	28,632
Accrued interest payable	-	36,348	534	2,996	97	9,666	1,618	1,626	52,885	53,202	1,315	1,429
Bonds, loans, capital leases, and other payables	163,797	279,928	2,007	7,672	30,239	82,482	2,456	6,148	574,729	526,282	14,025	18,795
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables	373,378	-	-	-	-	-	-	-	373,378	70,694	-	-
Accrued interest payable	31,475	-	-	-	-	-	-	-	31,475	33,587	-	-
Other	89,275	47,587	2,838	954	-	31,166	-	1,264	173,084	136,126	-	-
Total current liabilities	804,016	425,066	31,212	390,861	444,051	150,396	23,454	53,910	2,322,966	1,906,652	48,217	61,075
Noncurrent liabilities:												
Accrued vacation and sick leave pay	7,326	4,532	1,532	13,047	10,230	2,761	896	3,467	43,791	38,906	1,298	1,150
Accrued workers' compensation	5,244	7,263	2,409	97,389	25,591	4,635	2,311	12,894	157,736	143,702	1,522	1,593
Other postemployment benefits obligation	124,352	111,546	25,169	235,992	231,405	46,053	21,644	82,429	878,590	814,608	23,518	21,867
Estimated claims payable	131	10,806	1,263	41,460	-	10,250	350	-	64,260	56,780	-	-
Unearned revenue and other liabilities	-	16,417	-	-	-	2,621	75,376	-	94,414	89,096	-	-
Bonds, loans, capital leases, and other payables	4,235,551	4,331,632	73,384	198,160	15,673	1,080,081	89,006	127,538	10,151,025	10,137,573	183,192	197,733
Derivative instruments liabilities	96,132	-	-	-	-	-	-	-	96,132	79,321	-	-
Net pension liability	144,271	108,024	26,874	314,611	220,295	48,177	21,291	93,395	976,938	749,919	24,166	18,494
Total noncurrent liabilities	4,613,007	4,590,220	130,631	900,659	503,194	1,194,578	210,874	319,723	12,462,886	12,109,905	233,696	240,837
Total liabilities	5,417,023	5,015,286	161,843	1,291,520	947,245	1,344,974	234,328	373,633	14,785,852	14,016,557	281,913	301,912
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt	-	-	-	337	-	-	-	-	337	393	-	-
Unamortized gain on leaseback transaction	-	-	-	4,349	-	-	-	-	4,349	16,141	-	-
Deferred inflows related to pensions	48,154	36,577	8,678	99,620	72,374	16,301	7,158	29,736	318,598	671,917	7,829	16,569
Total deferred inflows of resources	48,154	36,577	8,678	104,306	72,374	16,301	7,158	29,736	323,284	688,451	7,829	16,569
NET POSITION												
Net investment in capital assets	(117,377)	543,327	369,764	2,938,712	147,924	1,098,723	304,396	405,272	5,690,741	5,117,679	10,985	9,572
Restricted:												
Debt service	35,462	12,122	306	17,999	-	981	-	60,203	127,073	100,923	-	-
Capital projects	212,931	40,743	1,409	-	31,882	18,205	26,152	9,574	340,896	358,745	-	-
Other purposes	-	-	-	67,644	-	-	-	2,861	70,505	35,986	-	-
Unrestricted (deficit)	36,057	26,476	141,135	(3,398)	(341,339)	38,031	57,122	(185,463)	(231,379)	(335,083)	(26,427)	(26,646)
Total net position	$ 167,073	$ 622,668	$ 512,614	$ 3,020,957	$(161,533)	$1,155,940	$ 387,670	$ 292,447	$ 5,997,836	$ 5,278,250	$ (15,442)	$ (17,074)

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2016
(With comparative financial information as of June 30, 2015)
(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	2016	2015	2016	2015
Operating revenues:												
Aviation	$ 495,439	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 495,439	$ 464,610	$ -	$ -
Water and power service	-	393,582	164,474	-	-	-	-	-	558,056	547,595	-	-
Passenger fees	-	-	-	205,374	-	-	-	-	205,374	213,328	-	-
Net patient service revenue	-	-	-	-	709,622	-	-	203,674	913,296	886,190	-	-
Sewer service	-	-	-	-	-	249,203	-	-	249,203	244,604	-	-
Rents and concessions	146,872	12,081	262	7,766	2,588	753	74,615	-	244,937	238,823	176	156
Parking and transportation	136,743	-	-	221,073	-	-	21,504	-	379,320	360,677	-	-
Other charges for services	-	-	-	22,054	-	-	-	-	22,054	21,786	136,820	128,670
Other revenues	87,937	13,853	-	39,029	4,843	11,819	3,614	1,593	162,688	157,201	-	-
Total operating revenues	866,991	419,516	164,736	495,296	717,053	261,775	99,733	205,267	3,230,367	3,134,814	136,996	128,826
Operating expenses:												
Personal services	241,162	103,027	45,815	677,174	460,860	79,088	30,851	180,814	1,818,791	1,701,386	49,472	45,629
Contractual services	68,064	13,451	6,395	124,780	202,697	15,069	5,895	9,657	446,008	412,282	51,813	45,180
Light, heat and power	22,925	-	26,792	-	-	-	2,146	-	51,863	44,987	-	-
Materials and supplies	16,419	12,896	3,040	81,417	76,271	10,192	1,468	19,993	221,696	210,179	19,513	18,875
Depreciation and amortization	228,359	106,666	16,513	133,715	17,263	50,799	21,924	15,356	590,595	552,101	2,798	2,451
General and administrative	3,369	17,878	40,489	42,695	1,071	30,248	4,058	-	139,808	142,621	540	540
Services provided by other departments	19,946	60,868	9,451	61,959	48,621	36,157	19,092	10,021	266,115	249,202	5,886	6,987
Other	40,229	-	-	(21,506)	(89)	-	1,359	-	19,993	37,737	5,780	5,083
Total operating expenses	640,473	314,786	148,495	1,100,234	806,694	221,553	86,793	235,841	3,554,869	3,350,495	135,802	124,745
Operating income (loss)	226,518	104,730	16,241	(604,938)	(89,641)	40,222	12,940	(30,574)	(324,502)	(215,681)	1,194	4,081
Nonoperating revenues (expenses):												
Operating grants:												
Federal	-	1,720	-	10,555	-	-	177	264	12,716	17,307	-	-
State / other	-	-	-	133,867	53,040	-	-	-	186,907	173,794	41	-
Interest and investment income	13,957	3,595	1,280	5,410	1,882	1,185	884	373	28,566	25,999	4,263	4,708
Interest expense	(208,597)	(153,258)	(3,355)	(6,186)	(1,402)	(22,251)	(4,656)	(6,681)	(406,386)	(390,866)	(4,589)	(5,022)
Other nonoperating revenues	101,728	38,382	12,456	62,883	-	11,242	1	13,944	240,636	200,148	833	1,459
Other nonoperating expenses	(51,551)	(2,210)	(1,622)	-	-	(485)	-	-	(55,868)	(42,938)	-	-
Total nonoperating revenues (expenses)	(144,463)	(111,771)	8,759	206,529	53,520	(10,309)	(3,594)	7,900	6,571	(16,556)	548	1,145
Income (loss) before capital contributions and transfers	82,055	(7,041)	25,000	(398,409)	(36,121)	29,913	9,346	(22,674)	(317,931)	(232,237)	1,742	5,226
Capital contributions	10,424	-	-	357,871	5,000	-	1,629	-	374,924	357,819	-	-
Transfers in	-	34,368	1,385	523,489	240,120	460	24,132	51,355	875,309	669,300	5	150
Transfers out	(42,542)	(1,124)	(705)	(4,694)	(131,439)	(16,485)	(32)	(7,115)	(204,136)	(164,509)	(115)	(142)
Change in net position	49,937	26,203	25,680	478,257	77,560	13,888	35,075	21,566	728,166	630,373	1,632	5,234
Net position (deficit) at beginning of year, as previously reported	117,136	596,465	486,934	2,551,280	(239,093)	1,142,052	352,595	270,881	5,278,250	4,647,877	(17,074)	(22,308)
Cumulative effect of accounting change	-	-	-	(8,580)	-	-	-	-	(8,580)	-	-	-
Net position (deficit) at beginning of year, as restated	117,136	596,465	486,934	2,542,700	(239,093)	1,142,052	352,595	270,881	5,269,670	4,647,877	(17,074)	(22,308)
Net position (deficit) at end of year	$ 167,073	$ 622,668	$ 512,614	$ 3,020,957	$ (161,533)	$ 1,155,940	$ 387,670	$ 292,447	$ 5,997,836	$ 5,278,250	$ (15,442)	$ (17,074)

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, 2016
(With comparative financial information as of June 30, 2015)
(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 2016	Total 2015	Governmental Activities - Internal Service Funds 2016	Governmental Activities - Internal Service Funds 2015
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 891,569	$ 419,841	$ 162,934	$ 540,781	$ 679,797	$ 260,321	$ 22,597	$145,555	$ 3,123,395	$ 3,266,566	$ 159,994	$159,542
Cash received from tenants for rent	-	12,285	269	7,805	2,587	729	74,384	-	98,059	113,081	-	-
Cash paid for employees' services	(254,837)	(113,188)	(46,422)	(697,634)	(475,504)	(81,182)	(33,004)	(190,409)	(1,892,180)	(1,869,684)	(51,530)	(49,772)
Cash paid to suppliers for goods and services	(194,383)	(106,441)	(78,985)	(336,058)	(332,154)	(80,789)	(36,165)	(40,220)	(1,205,195)	(1,106,969)	(91,029)	(87,781)
Cash paid for judgments and claims	-	(11,561)	(4,640)	(11,714)	-	(168)	-	-	(28,083)	(27,311)	-	-
Net cash provided by (used in) operating activities	442,349	200,936	33,156	(496,820)	(125,274)	98,911	27,812	(85,074)	95,996	375,683	17,435	21,989
Cash flows from noncapital financing activities:												
Operating grants	-	117	19	141,495	54,068	3,611	310	264	199,884	202,711	41	-
Transfers in	-	34,368	1,385	461,622	240,120	460	-	51,355	789,310	642,548	5	150
Transfers out	(42,542)	(1,124)	(705)	(4,694)	(131,439)	(16,485)	(32)	(7,115)	(204,136)	(164,509)	(115)	(142)
Other noncapital financing sources	2,597	5,262	11,312	40,001	-	4,244	-	-	63,416	42,946	-	-
Other noncapital financing uses	(38,460)	(2,211)	(1,744)	-	(168)	(485)	-	-	(43,068)	(37,413)	-	-
Net cash provided by (used in) noncapital financing activities	(78,405)	36,412	10,267	638,424	162,581	(8,655)	278	44,504	805,406	686,283	(69)	8
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	20,665	-	-	263,924	5,000	-	699	15,054	305,342	499,079	-	-
Transfers in	-	-	-	61,867	-	-	24,132	-	85,999	26,752	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Bond sale proceeds and loans received	841	-	4,100	97	-	360,706	-	-	365,744	852,455	-	-
Proceeds from sale/transfer of capital assets	-	9	1	653	-	23	2	-	688	8,186	-	-
Proceeds from commercial paper borrowings	304,100	50,000	-	-	24,811	35,000	-	-	413,911	143,761	-	-
Proceeds from passenger facility charges	98,432	-	-	-	-	-	-	-	98,432	92,702	-	-
Acquisition of capital assets	(304,421)	(294,033)	(49,583)	(501,012)	(78,260)	(167,656)	(6,801)	(779)	(1,402,545)	(1,307,990)	(4,211)	(2,745)
Retirement of capital leases, bonds and loans	(209,910)	(31,894)	(4,245)	(7,361)	(2,236)	(105,696)	(2,478)	(5,879)	(369,699)	(733,150)	(18,795)	(26,440)
Bond issue costs paid	-	-	(130)	-	-	(1,666)	-	-	(1,796)	(3,075)	-	(15)
Interest paid on debt	(225,073)	(219,279)	(3,313)	(7,700)	(1,408)	(34,362)	(4,789)	(6,880)	(502,804)	(488,834)	(4,698)	(5,171)
Federal interest income subsidy from Build America Bonds	-	24,240	664	-	-	3,991	-	-	28,895	28,794	-	-
Other capital financing sources	-	-	-	16,881	-	-	554	15	17,450	-	-	-
Other capital financing uses	-	-	-	-	-	-	(869)	(82)	(951)	(2,921)	-	-
Net cash provided by (used in) capital and related financing activities	(315,366)	(470,957)	(52,506)	(172,651)	(52,093)	90,340	10,450	1,449	(961,334)	(884,241)	(27,704)	(34,371)
Cash flows from investing activities:												
Purchases of investments with trustees	(624,603)	(199,584)	(19,242)	-	-	(185,525)	-	-	(1,028,954)	(1,269,820)	-	-
Proceeds from sale of investments with trustees	635,126	281,532	16,665	-	-	192,072	-	285	1,125,680	1,279,186	4,672	-
Interest and investment income	4,808	4,230	1,328	5,297	1,882	1,173	830	12,836	32,384	25,744	137	154
Other investing activities	-	-	-	-	-	-	-	-	-	-	(5)	65
Net cash provided by (used in) investing activities	15,331	86,178	(1,249)	5,297	1,882	7,720	830	13,121	129,110	35,110	4,804	219
Net increase (decrease) in cash and cash equivalents	63,909	(147,431)	(10,332)	(25,750)	(12,904)	188,316	39,370	(26,000)	69,178	212,835	(5,534)	(12,155)
Cash and cash equivalents-beginning of year	809,832	787,560	247,796	932,305	360,979	218,965	143,853	52,151	3,553,441	3,340,606	66,147	78,302
Cash and cash equivalents-end of year	$ 873,741	$ 640,129	$ 237,464	$ 906,555	$ 348,075	$ 407,281	$ 183,223	$ 26,151	$ 3,622,619	$ 3,553,441	$ 60,613	$ 66,147

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2016
(With comparative financial information as of June 30, 2015)
(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 2016	Total 2015	Governmental Activities - Internal Service Funds 2016	Governmental Activities - Internal Service Funds 2015
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	$ 226,518	$ 104,730	$ 16,241	$ (604,938)	$ (89,641)	$ 40,222	$ 12,940	$ (30,574)	$ (324,502)	$ (215,681)	$ 1,194	$ 4,081
Adjustments for non-cash and other activities:												
Depreciation and amortization	228,359	106,666	16,513	133,715	17,263	50,799	22,120	15,356	590,791	552,101	2,798	2,451
Provision for uncollectibles	581	179	-	(114)	-	(63)	(28)	-	555	27	-	-
Write-off of capital assets	-	423	4,908	(6,089)	-	5,549	-	-	4,791	9,388	-	-
Other	980	-	-	-	-	-	-	-	980	2,049	397	1,003
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net	(9,535)	(9,133)	(5,412)	299	(103,955)	(819)	(823)	(7,267)	(136,645)	31,474	18,888	26,270
Due from other funds	-	(68)	961	-	(28)	18	-	18,208	19,091	(47,723)	-	-
Inventories	4	378	(92)	(6,594)	(1,704)	381	(133)	(50)	(7,810)	(11,690)	-	-
Other assets	(1,188)	-	(211)	(266)	-	-	(22)	-	(1,687)	4,048	-	-
Accounts payable	(1,546)	(826)	197	(4,080)	(1,879)	1,052	(568)	(499)	(8,149)	29,253	(843)	(823)
Accrued payroll	2,209	935	511	4,506	3,600	840	181	1,195	13,977	(58,247)	506	(1,379)
Accrued vacation and sick leave pay	746	(309)	263	2,124	1,261	187	(28)	(292)	3,952	2,969	208	116
Accrued workers' compensation	576	(448)	335	14,656	1,879	138	(55)	632	17,713	10,761	(79)	176
Other postemployment benefits obligation	9,055	7,283	2,324	15,695	18,455	4,073	1,553	5,544	63,982	80,174	1,651	2,078
Estimated claims payable	-	(2,810)	(1,474)	13,742	-	3,166	(431)	-	12,193	13,577	-	-
Due to other funds	-	707	-	(274)	-	(168)	-	-	265	206	(52)	(9)
Unearned revenue and other liabilities	11,852	13,014	2,918	(3,164)	69,315	2,356	(3,007)	(70,654)	22,630	181,077	(2,889)	(6,841)
Net pension liability and pension related deferred outflows and inflows of resources	(26,262)	(19,785)	(4,826)	(56,038)	(39,840)	(8,820)	(3,887)	(16,673)	(176,131)	(208,080)	(4,344)	(5,134)
Total adjustments	215,831	96,206	16,915	108,118	(35,633)	58,689	14,872	(54,500)	420,498	591,364	16,241	17,908
Net cash provided by (used in) operating activities	$ 442,349	$ 200,936	$ 33,156	$ (496,820)	$ (125,274)	$ 98,911	$ 27,812	$ (85,074)	$ 95,996	$ 375,683	$ 17,435	$ 21,989
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted	$ 410,358	$ 323,916	$ 194,706	$ 811,548	$ 339,508	$ 159,118	$ 131,012	$ -	$ 2,370,166	$ 2,440,334	$ 35,264	$ 37,905
Restricted	456,482	123,328	39,849	66,645	-	208,336	41,955	10,812	947,407	919,474	-	-
Deposits and investments outside City Treasury:												
Unrestricted	5,937	136	10	10,271	10	123	5	2	16,494	16,355	-	-
Restricted	445,122	192,814	5,510	18,091	8,557	39,757	10,555	15,338	735,744	736,521	25,349	32,907
Total deposits and investments	1,317,899	640,194	240,075	906,555	348,075	407,334	183,527	26,152	4,069,811	4,112,684	60,613	70,812
Less: Investments outside City Treasury not meeting the definition of cash equivalents	(444,158)	(65)	(2,611)	-	-	(53)	(304)	(1)	(447,192)	(559,243)	-	(4,665)
Cash and cash equivalents at end of year on statement of cash flows	$ 873,741	$ 640,129	$ 237,464	$ 906,555	$ 348,075	$ 407,281	$ 183,223	$ 26,151	$ 3,622,619	$ 3,553,441	$ 60,613	$ 66,147
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease	$ 83,187	$ 47,587	$ 2,838	$ -	$ 3,690	$ 31,166	$ 1,354	$ 466	$ 170,288	$ 133,772	$ 361	$ 424
Tenant improvements financed by rent credits	-	-	-	-	-	-	241	-	241	400	-	-
Net capitalized interest	7,700	65,076	67	2,130	-	13,220	32	-	88,225	100,043	-	-
Donated inventory	-	-	-	-	2,844	-	-	-	2,844	7,306	-	-
Capital contributions and other noncash capital items	-	-	-	-	-	-	624	-	624	(4,328)	-	-
Bond refunding	282,453	-	-	-	-	-	-	-	282,453	249,527	-	-
Interfund loan	-	786	-	-	-	1,271	-	-	2,057	1,621	-	-

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(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	$ 97,306	$ 746,983	$ 289,884	$ 138,794
Deposits and investments outside City Treasury:				
Cash and deposits	43,521	105	4,571	817
Short-term investments	1,009,676	-	138,600	-
Debt securities	4,747,116	-	-	-
Equity securities	9,351,864	-	-	-
Real assets	2,341,500	-	-	-
Private equity	2,753,869	-	-	-
Foreign currency contracts, net	14,125	-	-	-
Invested in securities lending collateral	865,681	-	-	-
Receivables:				
Employer and employee contributions	32,424	-	-	43,571
Brokers, general partners and others	66,689	-	-	-
Federal and state grants and subventions	-	-	404	-
Interest and other	44,254	850	10,081	276,318
Other assets	-	-	702	45,538
Capital assets:				
Land and other assets not being depreciated	-	-	56,589	-
Facilities, infrastructure and equipment, net of depreciation	-	-	108,632	-
Total assets	21,368,025	747,938	609,463	505,038
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	-	1,494	-
Unamortized loss on refunding of debt	-	-	29,748	-
Total deferred outflows of resources	-	-	31,242	-
LIABILITIES				
Accounts payable	26,958	4,043	21,801	53,652
Estimated claims payable	29,347	-	-	-
Due to the primary government	-	-	2,611	-
Agency obligations	-	-	-	451,386
Bond interest payable	-	-	16,113	-
Payable to brokers	107,444	-	-	-
Deferred Retirement Option Program	613	-	-	-
Payable to borrowers of securities	863,536	-	-	-
Other liabilities	2,239	-	1,353	-
Advance from primary government	-	-	14,602	-
Long-term obligations	-	-	936,830	-
Net pension liability	-	-	16,563	-
Total liabilities	1,030,137	4,043	1,009,873	505,038
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	-	7,874	-
NET POSITION				
Restricted for pension and other employee benefits	20,337,888	-	-	-
Held for external pool participants	-	743,895	-	-
Held for Redevelopment Agency dissolution	-	-	(377,042)	-
Total net position	$ 20,337,888	$ 743,895	$ (377,042)	$ -

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, 2016
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues	$ -	$ -	$ 119,302
Charges for services	-	-	83,559
Contributions:			
Employees' contributions	469,278	-	-
Employer contributions	1,385,104	-	-
Contributions to pooled investments	-	3,183,781	-
Total contributions	1,854,382	3,183,781	202,861
Investment income:			
Interest	190,793	3,772	1,632
Dividends	219,529	-	-
Net depreciation in fair value of investments	(215,895)	-	-
Securities lending income	7,562	-	-
Total investment income	201,989	3,772	1,632
Less investment expenses:			
Securities lending borrower rebates and expenses	(1,315)	-	-
Other investment expenses	(47,174)	-	-
Total investment expenses	(48,489)	-	-
Other additions	-	-	32,991
Total additions, net	2,007,882	3,187,553	237,484
Deductions:			
Neighborhood development	-	-	120,903
Depreciation	-	-	5,543
Interest on debt	-	-	52,204
Benefit payments	2,222,409	-	-
Refunds of contributions	12,886	-	-
Distribution from pooled investments	-	2,983,674	-
Administrative expenses	17,318	-	10,467
Total deductions	2,252,613	2,983,674	189,117
Change in net position	(244,731)	203,879	48,367
Net position at beginning of year	20,582,619	540,016	(425,409)
Net position at end of year	$ 20,337,888	$ 743,895	$ (377,042)

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 million (plus 5% 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 (The 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, 8th Floor, San Francisco, CA 94102.

Discretely Presented Component Unit

Treasure Island Development Authority (The 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 certain legally separate component units 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 financial statements for the year ended June 30, 2015, 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.

During the year ended June 30, 2016, the City adopted a new revenue recognition policy, and changed the availability period from 90 days to 60 days. The new policy more closely reflects the use of current resources to pay liabilities of the current period. The adoption of the new accounting principle resulted in a reduction in revenues by approximately $23.7 million for the year ended June 30, 2016, and did not have a significant impact on the financial statements as of and for the year ended June 30, 2015.

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 Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.
- 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 million in bonds for the purpose of acquiring, construction, 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 ***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 ***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 ***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. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- 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 Act.
- 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 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) 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 an 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.

(d) 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 Successor Agency separately managed funds, 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, 2016, involuntary participants accounted for approximately 95.6% of the pool. Voluntary

participants accounted for 4.4% of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2016, $743.9 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 9.4%. Internal participants accounted for 90.6% 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 real estate investments are based on net asset values provided by the investment managers. Private equity investments represent interest in limited partnerships. The fair values of private equity investments are also based on net asset values provided by the general partners. For investments that are not traded on national or international exchanges with closing market prices available data is obtained to corroborate pricing.

The Charter and Retirement Board policies permit the Retirement System to use investments to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The collateral may consist of cash or non-cash; non-cash collateral is generally U.S. Treasuries or other U.S. government obligations. The Retirement System's securities custodian is the agent in lending the domestic securities for collateral of 102% and international securities for collateral of 105%. Contracts with the lending agent require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults, and therefore, is not reported in the Retirement System's financial statements.

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2016 was 78 days. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2016, the weighted average maturity of the reinvested cash collateral account was 25 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

Cash collateral invested in the separate account managed by the lending agent is reported at fair value. Payable to borrowers of securities in the statement of fiduciary net position represents the cash collateral received from borrowers. Additionally, the income and costs of securities lending transactions, such as borrower rebates and fees, are recorded respectively as revenues and expenses in the statement of changes in fiduciary net position.

(Dollars in Thousands)

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, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost, which approximates fair value. 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 funds, Internal Service, Investment Trust and Agency 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, SFMTA, LHH, SFGH, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) 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, 2016, it was determined that $1,122.0 million of the $1,203.8 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.

(f) Inventories

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. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) 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 sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) 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 thousand 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 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

(i) 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.

(j) 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.

(k) Fund Equity

Governmental Fund Balance

As prescribed by 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.

(l) 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 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.

(m) 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.

(n) 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.

(Dollars in Thousands)

(o) 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.

(p) 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2014 and were rolled forward to June 30, 2015. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD)…………	June 30, 2014 updated to June 30, 2015
Measurement Date (MD)……	June 30, 2015
Measurement Period (MP)…	July 1, 2014 to June 30, 2015

(q) Estimates

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

(r) Reclassifications

Certain amounts, presented as 2014-15 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2015-16 basic financial statements.

(s) Effects of New Pronouncements

During fiscal year 2016, the City implemented the following accounting standards:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2016, however, the San Francisco International Airport restated its beginning deferred outflows on derivative instruments and derivative instruments liabilities of fiscal year 2015 by $1.4 million. This restatement did not affect the City's beginning net position.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in this statement are effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's fiscal year ending June 30, 2017. Partial implementation of this statement did not have a significant impact on the City for the year ended June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. The new standard is effective for periods beginning after June 15, 2015. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure all their investments at amortized cost. The new standard is effective for periods beginning after June 15, 2015, except for certain provisions that will be effective for reporting periods beginning after December 15, 2015. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. As Statement No. 82 changes the classification of these payments, commonly referred to as Employer-Paid Member Contributions, the City reclassified these payments. While the applicable requirements of this Statement are effective for reporting periods beginning after June 15, 2016, the City has elected early implementation for the year ended June 30, 2016. During the year ended June 30, 2015, the SFMTA made Employer-Paid Member Contributions to satisfy contribution requirements of the Retirement System and collective bargaining agreements. Statement No. 82 requires Employer-Paid Member contributions to be classified as employee contributions rather than classified as employer contributions. In fiscal year 2014-15, such payments were treated as employer contributions by the SFMTA as required by Statement No. 68. Therefore, early implementation of Statement No. 82, which amends Statement No. 68, resulted in a restatement which decreased beginning net position for fiscal year 2015-16 by $8.6 million.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 74 revises and establishes new accounting and financial reporting requirements for postemployment benefit plans other than pensions (OPEB). Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. Statement No. 74 is effective for periods beginning after June 15, 2016 and is effective for the City's fiscal year ending June 30, 2017. Statement No. 75 is effective for periods beginning after June 15, 2017 and is effective for the City's fiscal year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost-sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

(t) 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.

(u) 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, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2016
(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, $2,835,474, differs from net position of governmental activities, $2,009,063, 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 sheets.

	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	$ 3,279,724	$ -	$ 35,264	$ -	$ 3,314,988
Deposits and investments outside City Treasury	84,845	-	25,349	-	110,194
Receivables, net					
Property taxes and penalties	77,241	-	-	-	77,241
Other local taxes	278,763	-	-	-	278,763
Federal and state grants and subventions	303,316	-	-	-	303,316
Charges for services	99,919	-	53	-	99,972
Interest and other	15,822	-	633	-	16,455
Due from other funds	12,062	-	-	(12,062)	-
Due from component unit	2,437	-	-	-	2,437
Advance to component unit	17,496	-	-	-	17,496
Loans receivable, net	81,801	-	-	-	81,801
Capital assets, net	-	5,114,367	10,985	-	5,125,352
Other assets	6,855	6	266	-	7,127
Total assets	4,260,281	5,114,373	72,550	(12,062)	9,435,142
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	17,282	1,091	-	18,373
Deferred outflows related to pensions	-	378,712	7,475	-	386,187
Total deferred outflows of resources	-	395,994	8,566	-	404,560
Liabilities					
Accounts payable	353,721	-	7,459	-	361,180
Accrued payroll	89,262	-	1,862	-	91,124
Accrued vacation and sick leave pay	-	147,925	3,102	-	151,027
Accrued workers' compensation	-	225,961	1,864	-	227,825
Other postemployment benefits obligation	-	1,179,468	23,518	-	1,202,986
Estimated claims payable	-	160,498	-	-	160,498
Accrued interest payable	-	11,893	1,315	-	13,208
Unearned grant and subvention revenues	24,250	-	-	-	24,250
Due to other funds	33,696	-	361	(12,062)	21,995
Unearned revenue and other liabilities	494,796	2,022	58	-	496,876
Bonds, loans, capital leases, and other payables	102,778	2,994,530	197,217	-	3,294,525
Net pension liability	-	1,331,114	24,166	-	1,355,280
Total liabilities	1,098,503	6,053,411	260,922	(12,062)	7,400,774
Deferred inflows of resources					
Unavailable revenue	326,304	(326,304)	-	-	-
Unamortized gain on refunding of debt	-	236	-	-	236
Deferred inflows related to pensions	-	421,800	7,829	-	429,629
Total deferred inflows of resources	326,304	95,732	7,829	-	429,865
Fund balances/ net position					
Total fund balances/ net position	$ 2,835,474	$ (638,776)	$ (187,635)	$ -	$ 2,009,063

(Dollars in Thousands)

(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	$ 6,682,703
Accumulated depreciation	(1,568,336)
	$ 5,114,367

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	$ (147,925)
Accrued workers' compensation	(225,961)
Other postemployment benefits obligation	(1,179,468)
Estimated claims payable	(160,498)
Unearned revenue and other liabilities	(2,022)
Bonds, loans, capital leases, and other payables	(2,994,530)
	$(4,710,404)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	$ (11,893)

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	$ 17,282
Unamortized gain on refunding of debt	(236)
	$ 17,046

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	$ (1,331,114)
Deferred outflows of resources related to pensions	378,712
Deferred inflows of resources related to pensions	(421,800)
	$ (1,374,202)

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	$ 326,304
Other postemployment benefits assets	6
	$ 326,310

(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	$ (15,442)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(193,450)
Other assets	266
Unearned revenue and other liabilities	20,991
	$ (187,635)

In addition, intrafund receivables and payables among various internal service funds of $24 are eliminated.

(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, $546,531, differs from the change in net position for governmental activities, $721,849, 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	$ 1,798,776	$ 10,141	$ -	$ -	$ -	$ 1,808,917
Business taxes	660,926	-	-	-	-	660,926
Sales and use tax	267,443	2,608	-	-	-	270,051
Hotel room tax	387,661	-	-	-	-	387,661
Utility users tax	98,651	-	-	-	-	98,651
Parking tax	86,012	-	-	-	-	86,012
Real property transfer tax	269,090	-	-	-	-	269,090
Other local taxes	44,780	-	-	-	-	44,780
Licenses, permits and franchises	43,722	102	-	-	-	43,824
Fines, forfeitures, and penalties	36,169	4,046	-	-	-	40,215
Interest and investment income	23,931	-	-	117	-	24,048
Rents and concessions	135,865	(21,537)	-	-	-	114,328
Intergovernmental:						
Federal	416,823	16,154	-	-	-	432,977
State	776,866	2,372	-	-	-	779,238
Other	85,872	1,346	-	-	-	87,218
Charges for services	392,665	1,245	-	-	-	393,910
Other	264,722	(6,161)	-	874	-	259,435
Total revenues	5,789,974	10,316	-	991	-	5,801,281
Expenditures/ Expenses						
Current:						
Public Protection	1,269,000	(53,957)	13,739	(6,233)	-	1,222,549
Public works, transportation and commerce	416,152	(6,992)	10,685	(867)	-	418,978
Human welfare and neighborhood development	1,252,588	(19,431)	529	(283)	-	1,233,403
Community health	776,612	(18,481)	(11,060)	-	-	747,071
Culture and recreation	364,909	(10,072)	(29,295)	(14,514)	-	311,028
General administration and finance	277,729	(22,563)	(9,923)	1,140	-	246,383
General City responsibilities	114,684	-	-	(1,194)	-	113,490
Debt service:						
Principal retirement	252,456	-	-	-	(252,456)	-
Interest and other fiscal charges	119,723	-	-	4,589	(16,063)	108,249
Bond issuance costs	7,108	-	-	-	-	7,108
Capital outlay	223,904	-	(223,904)	-	-	-
Total expenditures	5,074,865	(131,496)	(249,229)	(17,362)	(268,519)	4,408,259
Excess (deficiency) of revenues over (under) expenditures	715,109	141,812	249,229	18,353	268,519	1,393,022
Other financing sources (uses) / changes in net position						
Net transfers in (out)	(671,063)	-	-	(110)	-	(671,173)
Issuance of bonds and loans:						
Face value of bonds issued	595,925	-	-	-	(595,925)	-
Premium on issuance of bonds	32,845	-	-	-	(32,845)	-
Payment to refunded bond escrow agent	(131,935)	-	-	-	131,935	-
Other financing sources	5,650	-	-	(5,650)	-	-
Total other financing sources (uses)	(168,578)	-	-	(5,760)	(496,835)	(671,173)
Net change for the year	$ 546,531	$ 141,812	$ 249,229	$ 12,593	$ (228,316)	$ 721,849

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

(3) Property taxes that were unavailable and are reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities. $ 10,141

Other revenues that were unavailable and reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities. 175

$ 10,316

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. $ (155,660)

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. 282,088

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 expenditures reported in the governmental funds. 5,068

$ 131,496

(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.

Capital expenditures	$ 413,493
Depreciation expenses	(134,468)
Loss on disposal of capital assets	(263)
Write off construction of progress	(29,533)
Difference	$ 249,229

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, 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. $ 12,593

(Dollars in Thousands)

(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. $ (32,845)

Repayment of bond principal and the payment to escrow for refunding of debt are reported as expenditures and other financing uses 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	$ 252,456
Payments to escrow for refunded debt	131,935
	384,391

Bond and loan proceeds and capital leases 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 do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(321,875)
Certificates of participation	(274,050)
	(595,925)
	$ (211,534)

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 discounts, premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest	$ (825)
Loss on refundings on certificates of participation	1,359
Amortization of bond premiums and discounts	19,313
Amortization of bond refunding losses and gains	(3,784)
	$ 16,063

(4) 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 generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement 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.

The fund balance of the General Fund as of June 30, 2016 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 1,526,830
Unrealized Gains/ (Losses) on Investments	343
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(36,008)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(56,709)
Pre-paid lease revenue	(5,816)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	522
Fund Balance - GAAP basis	$ 1,429,162

General Fund budget basis fund balance as of June 30, 2016 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 74,986	
Rainy Day - One Time Spending Account	45,120	
Committed Fund Balance:		
Budget Stabilization Reserve	178,434	
Recreation and Parks Expenditure Saving Reserve	8,736	
Assigned for Encumbrances	190,965	
Assigned for Appropriation Carryforward	293,921	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	58,907	
Salaries and benefits costs (MOU)	18,203	
Subtotal		$ 869,272
Available for appropriations:		
Assigned for Litigation and Contingencies	145,443	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2016-17	172,128	
Unassigned - General Reserve	76,913	
Unassigned - Budget for use in fiscal year 2017-18	191,202	
Unassigned - Contingency for fiscal year 2017-18	60,000	
Unassigned - Available for future appropriations	11,872	
Subtotal		657,558
Fund Balance, June 30, 2016 - Budget basis		$ 1,526,830

(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 Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	TIDA
Deposits and investments with City Treasury	$ 3,314,988	$ 2,370,166	$ 1,272,967	$ 6,958,121	$ 11,130
Deposits and investments outside City Treasury	84,845	16,494	20,405,764	20,507,103	-
Restricted assets:					
Deposits and investments with City Treasury	-	947,407	-	947,407	-
Deposits and investments outside City Treasury	25,349	735,744	-	761,093	-
Invested in securities lending collateral	-	-	865,681	865,681	-
Total deposits & investments	$ 3,425,182	$ 4,069,811	$ 22,544,412	$ 30,039,405	$ 11,130
Cash and deposits				$ 228,638	$ -
Investments				29,810,767	11,130
Total deposits and investments				$ 30,039,405	$ 11,130

(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.

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 May 2016. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	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
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	N/A
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	N/A
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market (Institutional Government Funds)	N/A	10% *	N/A
Money Market (Institutional Prime Funds)	60 days	5%*	N/A
Supranationals	5 years	5% *	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.

(Dollars in Thousands)

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; real estate; securities lending; foreign currency contracts, derivative instruments, and private equity investments, which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policies for the year ended June 30, 2016 are as follows:

Asset Class	Target Allocation through January 2015	Target Allocation since February 2015
Global Equity	47.0%	40.0%
Fixed Income	25.0%	20.0%
Private Equity	16.0%	18.0%
Real Assets	12.0%	17.0%
Hedge Funds/Absolute Return	0%	5.0%
	100.0%	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. As of June 30, 2016, $419.0 million (or 48.4% of cash collateral) consisted of such agreements.

Retiree Health Care Trust Fund

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 investment policy permits the RHCTF to invest in domestic and international equity securities and investment grade bonds. It also allows investments in global equity, U.S. nominal bonds, inflation-linked bonds, global real estate, and commodities, although the RHCTF does not currently hold assets in these classes. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation	Range
Domestic Equity	37.0%	32.0-42.0%
International Equity	37.0%	32.0-42.0%
Investment Grade Bonds	26.0%	21.0-31.0%
	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, 2016:

		Fair Value Measurements Using		
	Fair Value 6/30/2016	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. Treasury Notes	$ 501,077	$ 501,077	$ -	$ -
U.S. Agencies - Discount	296,560	296,560	-	-
U.S. Agencies - Coupon (no call option)	2,663,602	2,663,602	-	-
U.S. Agencies (callable option)	1,047,592	1,047,592	-	-
State and Local Agencies	193,556	-	193,556	-
Negotiable Certificates of Deposits	1,241,116	1,191,126	49,990	-
Corporate Notes	671,178	671,178	-	-
Supranationals	150,104	-	150,104	-
Commercial Paper	449,127	-	449,127	-
Public Time Deposits	1,440 *	-	-	-
Money Market Mutual Funds	555,450 *	-	-	-
Subtotal	7,770,802	$ 6,371,136	$ 842,776	$ -
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	675			
Subtotal investments in City Treasury	7,771,477			
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	297,606	$ 297,606	$ -	$ -
U.S. Agencies	184,291	184,291	-	-
Commercial Paper	16,212 *	-	-	-
Money Market Mutual Funds	468,176 *	-	-	-
Certificates of Deposit	304 *	-	-	-
Subtotal Investments Outside City Treasury	966,589	$ 481,897	$ -	$ -

* Not subject to fair value hierarchy

(Continued)

(Dollars in Thousands)

	Fair Value 6/30/2016	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	$ 1,009,676	$ -	$ -	$ 1,009,676
Debt Securities:				
U.S. Government & Agency Securities	695,309	-	695,309	-
Other Debt Securities	2,246,680	-	2,134,644	112,036
Equity Securities:				
Domestic Equity	4,296,051	4,198,957	7,508	89,586
International Equity	3,087,999	3,077,546	7,961	2,492
Foreign Currency Contracts, net	14,125	-	-	14,125
Invested securities lending collateral	865,681	-	389,095	476,586
Subtotal	12,215,521	$ 7,276,503	$ 3,234,517	$ 1,704,501
Investments measured at the net asset value (NAV)				
Fixed Income Funds Invested in:				
U.S. Government & Agency Securities	952,962			
Other Fixed Income	822,065			
Equity Funds Invested in:				
Domestic Equity	674,787			
International Equity	1,216,026			
Real Assets	2,341,500			
Private Equity	2,750,619			
Subtotal investments measured at the NAV	8,757,959			
Total investments in Employees' Retirement System	20,973,480			
Healthcare Trust (measurements at the NAV)				
Fixed Income:				
U.S. Debt Index Fund	30,100			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	39,026			
International:				
EAFE Equity Index Fund	37,975			
Money Market Investments				
Treasury Money Market Fund	3,250 *			
Total Investments in Healthcare Trust	110,351			
Total Investments	**$29,821,897**			

* Not subject to fair value hierarchy

Investments in City Treasury

U.S. Treasury Notes, U.S. Government Agencies, Corporate Notes, and Negotiable Certificates of Deposit are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

State and Local agencies, Negotiable Certificates of Deposit, 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 and Public Time Deposits have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72.

Investments Outside City Treasury

U.S. Treasury Notes and U.S. Government Agencies are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. Commercial Paper is 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 are not subject to fair value hierarchy. Money Market Funds are valued at amortized costs and are not subject to fair value hierarchy.

Employees' Retirement System investments

Investments, at Fair Value

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Invested securities lending collateral and 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. Short-term investments and 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.

Fair value is defined as the quoted market value on the last trading day of the period. 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.

Investments, at Net Asset Value (NAV)

<u>Equity and Debt Funds</u>

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the market 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.

(Dollars in Thousands)

Real Assets, Private Equity, and Opportunistic Fixed Income Investments

The fair value of the Retirement System's investments in real assets, private equity, and opportunistic fixed income 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 value 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 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 limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

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.

Retiree Health Care Trust Fund

Investments, at Net Asset Value (NAV)

At June 30, 2016 the Retiree Health Care Trust Fund had investments in equity and debt commingled funds index funds and the City Treasury Pool. These funds include a S&P 500 Equity Index Fund, an EAFE Equity Index Fund, a U.S. Debt Index Fund and a Money Market Fund. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the market 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, 2016, there are no redemption restrictions on the commingled index 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% 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, 2016, $2.6 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

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 interest rate risk information is discussed in section (f) of this note.

			Investment Maturities	
	S & P Rating	Fair Value	Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
Pooled Investments:				
U.S. Treasury Notes	AA+	$ 501,077	$ 300,741	$ 200,336
U.S. Agencies	NR - AA+	4,007,754	1,563,904	2,443,850
State/Local Agencies	A+ - AA-	193,556	86,247	107,309
Public time deposits	NR	1,440	1,440	-
Negotiable certificates of deposits	A+ - AA-	1,241,116	1,141,226	99,890
Commercial paper	A-1 - A-1+	449,127	449,127	-
Corporate notes	A+ - AA-	671,178	586,121	85,057
Money market mutual funds	AAAm	555,450	555,450	-
Supranationals	NR - AAA	150,104	124,994	25,110
Subtotal		7,770,802	4,809,250	2,961,552
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(11,130)	-	(11,130)
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(6,656)	-	(6,656)
Less: Health Care Trust				
Investments with City Treasury	n/a	(3,022)	-	(3,022)
Subtotal pooled investments		7,749,994	4,809,250	2,940,744
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	n/a	675	675	-
Subtotal investments in City Treasury		7,750,669	$ 4,809,925	$ 2,940,744
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	NR/AAA/AA+	$ 297,606	$ 104,073	$ 193,533
U.S. Agencies - Coupon	AA+	8,108	-	8,108
U.S. Agencies - Discount	AA+/A-1+	176,183	18,635	157,548
Certificates of Deposit	NR	304	304	-
Commercial Paper	A-1+/A-1	16,212	16,212	-
Money Market Mutual Funds	AAAm	299,895	299,895	-
U.S. Treasury Money Market Funds	AAAm	168,281	168,281	-
Subtotal investments outside City Treasury		966,589	$ 607,400	$ 359,189
Retiree Health Care Trust investments		113,373		
Employees' Retirement System investments		20,980,136		
Total Primary Government		$ 29,810,767		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	11,130	$ -	$ 11,130
Total Investments		$ 29,821,897		

As of June 30, 2016, the investments in the City Treasury had a weighted average maturity of 372 days.

(Dollars in Thousands)

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 for 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, 2016, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Farm Credit Bank	19.1%
Federal Home Loan Mortgage Corporation	12.6%
Federal Home Loan Bank	11.5%
Federal National Mortgage Association	5.1%

In addition, the following major funds hold investments with trustees that represent 5% or more of the funds' investments outside City Treasury as of June 30, 2016:

Airport:	
Federal National Mortgage Association	29.0%
Federal Home Loan Mortgage Corporation	7.8%
Hetch Hetchy:	
Federal Farm Credit Bank	46.8%

(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 June 30, 2016:

Statement of Net Position

Net position held in trust for all pool participants	$7,916,658
Equity of internal pool participants	$7,172,086
Equity of separately managed account participant	677
Equity of external pool participants	743,895
Total equity	$7,916,658

Statement of Changes in Net Position

Net position at July 1, 2015	$7,190,206
Net change in investments by pool participants	726,452
Net position at June 30, 2016	$7,916,658

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2016:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes	0.67% - 1.21%	09/30/16 - 11/30/17	$ 500,000	$ 501,077
U.S. Agencies - Coupon	0.03% - 2.09%	07/01/16 - 12/24/20	4,003,428	4,007,754
State and local agencies	0.44% - 1.66%	07/14/16 - 10/01/19	191,200	193,556
Public time deposits	0.72% - 1.05%	08/10/16 - 06/29/17	1,440	1,440
Negotiable certificates of deposit	0.64% - 1.17%	08/08/16 - 10/25/17	1,240,000	1,241,116
Commercial paper	0.50% - 1.02%	07/01/16 - 03/07/17	450,000	449,127
Corporate notes	0.34% - 1.36%	07/05/16 - 04/06/18	670,676	671,178
Money market mutual funds	0.22% - 0.30%	07/01/16 - 07/01/16	555,450	555,450
Supranationals	0.32% - 1.07%	07/01/16 - 10/05/18	150,000	150,104
			$ 7,762,194	7,770,802
Segregated account:				
Local agencies	3.50%	12/1/2016	$ 675	675
Carrying amount of deposits with Treasurer				145,181
Total cash and investments with Treasurer				$ 7,916,658

(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2016 are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 1,009,676
Investments with City Treasury	6,656
Debt securities:	
U.S. Government and agencies	1,648,271
Other debt securities	3,068,745
Subtotal debt securities	4,717,016
Total fixed income investments	5,733,348
Equity securities:	
Domestic	4,970,838
International	4,304,025
Total equity securities	9,274,863
Real assets	2,341,500
Private equity	2,750,619
Foreign currency contracts, net	14,125
Investment in lending agent's short-term investment pool	865,681
Total Retirement System Investments	$ 20,980,136

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, 2016:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset Backed Securities	$ 178,327	$ -	$ 57,102	$ 11,880	$ 109,345
Bank Loans	139,680	1,240	106,587	31,853	-
City Investment Pool	6,656	4,119	2,537	-	-
Collateralized Bonds	167	-	-	-	167
Commercial Mortgage-Backed	438,764	6,254	6,708	5,558	420,244
Commingled and Other					
Fixed Income Funds	231,780	264,114	569	51	(32,954)
Corporate Bonds	1,627,327	580,310	443,592	437,779	165,646
Corporate Convertible Bonds	293,360	3,460	197,038	35,709	57,153
Foreign Currencies and Cash Equivalents	144,456	144,456	-	-	-
Government Agencies	971,329	952,962	368	-	17,999
Government Bonds	589,416	150,467	278,583	43,497	116,869
Government Mortgage					
Backed Securities	145,030	-	10,819	-	134,211
Index Linked Government Bonds	1,359	-	-	1,243	116
Municipal/Provincial Bonds	40,049	-	9,182	1,628	29,239
Non-Government Backed					
Collateralized Mortgage Obligations	59,543	-	2,376	2,033	55,134
Options	(64)	(64)	-	-	-
Short Term Investment Funds	865,219	865,219	-	-	-
Swaps	950	(78)	831	197	-
Total	$ 5,733,348	$ 2,972,459	$ 1,116,292	$ 571,428	$ 1,073,169

Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5% 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) Standard & Poor's (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, 2016. Investments issued or explicitly guaranteed by the U.S. government of $505.3 million as of June 30, 2016 are not considered to have credit risk and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 164,327	3.1%
AA	72,743	1.4%
A	247,306	4.7%
BBB	683,951	13.1%
BB	322,941	6.2%
B	294,025	5.6%
CCC	79,658	1.5%
CC	1,956	0.0%
C	4,240	0.1%
D	4,159	0.1%
Not Rated	3,352,732	64.2%
Total	$ 5,228,038	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 securities, the "Not Rated" component of credit would be approximately 12.7% for 2016.

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. Guidelines for investment managers typically restrict a position to become no more than 5% (at fair value) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2016, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

Custodial Credit Risk

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, 2016, $153.6 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.

For fiscal year 2016, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

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 investments, real assets, and swap investments. 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.

The Retirement System's net exposures to foreign currency risk as of June 30, 2016 are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Australian dollar	$ 1,044	$ 103,293	$ -	$ 10,641	$ -	$ 2,650	$ 117,628
Brazilian real	(581)	26,060	19,870	-	-	(5,475)	39,874
British pound sterling	717	533,900	12,635	-	18,874	(45,288)	520,838
Canadian dollar	1,027	69,596	6,851	-	-	30,932	108,406
Chilean peso	-	2,012	-	-	-	94	2,106
Chinese yuan renminbi	-	-	-	-	-	(1,582)	(1,582)
Colombian peso	63	-	5,451	-	-	1,872	7,386
Czech koruna	101	337	-	-	-	(101)	337
Danish krone	273	39,118	-	-	-	(1,423)	37,968
Euro	(4,323)	745,341	108,816	148,583	39,685	(66,038)	972,064
HK offshore Chinese yuan renminbi	-	-	-	-	-	(1,052)	(1,052)
Hong Kong dollar	567	162,696	-	-	-	3,862	167,125
Hungarian forint	137	327	-	-	-	2,515	2,979
Indian rupee	-	-	-	-	-	564	564
Indonesian rupiah	16	11,124	10,163	-	-	1,100	22,403
Japanese yen	4,587	532,091	-	-	23,343	98,308	658,329
Malaysian ringgit	315	20,649	6,628	-	-	4,087	31,679
Mexican peso	260	34,581	9,098	-	-	4,764	48,703
New Israeli shekel	73	9,685	-	-	-	5,513	15,271
New Romanian leu	21	-	2,138	-	-	(740)	1,419
New Taiwan dollar	1,851	66,010	-	-	-	(2,758)	65,103
New Zealand dollar	47	3,174	-	-	-	53,079	56,300
Norwegian krone	360	11,966	-	-	-	(1,661)	10,665
Peruvian nuevo sol	-	-	2,398	-	-	(319)	2,079
Philippine peso	(253)	2,641	811	-	-	(272)	2,927
Polish zloty	6	-	9,510	-	-	2,280	11,796
Qatari rial	-	5,448	-	-	-	-	5,448
Russian ruble	(571)	-	5,857	-	-	721	6,007
Singapore dollar	332	14,748	-	-	-	3,074	18,154
South African rand	(948)	24,765	8,183	-	-	2,250	34,250
South Korean won	1,361	98,501	-	-	-	(75)	99,787
Swedish krona	1,230	65,241	-	-	-	9,961	76,432
Swiss franc	279	192,496	147	-	-	(33,363)	159,559
Thai baht	14	7,354	2,198	-	-	6,696	16,262
Turkish lira	1,056	10,286	17,013	-	-	(7,381)	20,974
United Arab Emirates dirham	-	5,893	-	-	-	-	5,893
Total	$ 9,061	$ 2,799,333	$ 227,767	$ 159,224	$ 81,902	$ 66,794	$ 3,344,081

Derivative Instruments

As of June 30, 2016, 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

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, 2016:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ 14,144	$ 14,144
Other Contracts	(a)	(114)	(114)
Options			
Foreign Exchange Contracts	$ 8,426	(64)	4
Swaps			
Credit Contracts	2,300	(18)	12
Interest Rate Contracts	43,514	968	766
Rights/Warrants			
Equity Contracts	23,123 shares	1,857	(6,406)
Total		$ 16,773	$ 8,406

(a) The Retirement System's investment managers enter into a wide variety of forward foreign exchange and other contracts, which frequently do not involve the U.S. dollar. As a result, a U.S. dollar-based notional value is not included.

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants 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 statements 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. As of June 30, 2016, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were $14.9 million and $0.8 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 99.6% of the positions as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch) while 0.4% were not rated.

(Dollars in Thousands)

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, 2016, 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, 2016.

		Maturities		
Derivative Type / Contracts	Fair Value	Less than 1 year	1-5 years	6-10 years
Forwards				
Foreign Exchange Contracts	$ 14,144	$ 14,053	$ 91	$ -
Options				
Foreign Exchange Contracts	(64)	(64)	-	-
Swaps				
Credit Contracts	(18)	2	(20)	-
Interest Rate Contracts	968	(80)	851	197
Total	$ 15,030	$ 13,911	$ 922	$ 197

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, 2016:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 1.50%, Pay Variable 6-Month WIBOR	$ 606	$ (1)
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	301	4
Interest Rate Swap	Receive Fixed 12.055%, Pay Variable 1-Day BIDOR	252	(2)
Interest Rate Swap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,108	13
Interest Rate Swap	Receive Fixed 12.23%, Pay Variable 1-Day BIDOR	203	(1)
Interest Rate Swap	Receive Fixed 12.255%, Pay Variable 1-Day BIDOR	5,381	(71)
Interest Rate Swap	Receive Fixed 12.85%, Pay Variable 1-Day BIDOR	298	19
Interest Rate Swap	Receive Fixed 13.73%, Pay Variable 1-Day BIDOR	528	5
Interest Rate Swap	Receive Fixed 15.44%, Pay Variable 1-Day BIDOR	588	104
Interest Rate Swap	Receive Fixed 15.96%, Pay Variable 1-Day BIDOR	5,287	534
Interest Rate Swap	Receive Fixed 16.15%, Pay Variable 1-Day BIDOR	824	172
Interest Rate Swap	Receive Fixed 16.395%, Pay Variable 1-Day BIDOR	102	23
Interest Rate Swap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	127	30
Interest Rate Swap	Receive Fixed 16.95%, Pay Variable 1-Day BIDOR	82	22
Interest Rate Swap	Receive Fixed 2.015%, Pay Variable 6-Month THB	569	10
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	683	14
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	643	16
Interest Rate Swap	Receive Fixed 2.19%, Pay Variable 6-Month THB	199	5
Interest Rate Swap	Receive Fixed 2.22%, Pay Variable 6-Month THB	398	10
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	771	45
Interest Rate Swap	Receive Fixed 2.625%, Pay Variable 6-Month THB	1,190	75
Interest Rate Swap	Receive Fixed 2.78%, Pay Variable 6-Month THB	26	2
Interest Rate Swap	Receive Fixed 5.21%, Pay Variable 1-Day MXIBR	596	(6)
Interest Rate Swap	Receive Fixed 5.23%, Pay Variable 3-Month CIBR	124	(5)
Interest Rate Swap	Receive Fixed 5.31%, Pay Variable 3-Month CIBR	48	(2)
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	567	(20)
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	574	(40)
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	1,724	6
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,008	3
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	341	4
Interest Rate Swap	Receive Fixed 6.12%, Pay Variable 3-Month CIBR	112	(5)
Interest Rate Swap	Receive Fixed 6.20%, Pay Variable 3-Month CIBR	144	(5)
Interest Rate Swap	Receive Fixed 6.22%, Pay Variable 3-Month CIBR	151	(6)
Interest Rate Swap	Receive Fixed 6.24%, Pay Variable 28-Day MXIBR	136	4
Interest Rate Swap	Receive Fixed 7.50%, Pay Variable 3-Month JIBAR	868	(22)
Interest Rate Swap	Receive Fixed 8.00%, Pay Variable 3-Month JIBAR	901	4
Interest Rate Swap	Receive Fixed 8.50%, Pay Variable 3-Month JIBAR	1,831	36
Interest Rate Swap	Receive Fixed 8.75%, Pay Variable 3-Month JIBAR	1,072	37
Interest Rate Swap	Receive Fixed 9.00%, Pay Variable 3-Month JIBAR	205	9
Interest Rate Swap	Receive Fixed 9.50%, Pay Variable 3-Month JIBAR	498	38
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	96	7
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.86%	651	7
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 14.205%	5,133	(9)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.50%	1,125	(56)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.77%	1,635	(92)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 4.65%	423	2
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 5.66%	721	14
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.08%	1,241	(3)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.32%	363	(8)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.50%	244	(1)
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.42%	223	6
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	69	2
Interest Rate Swap	Receive Fixed 2.81%, Pay Return THB	524	41
Total Interest Rate Swap		$ 43,514	$ 968

Foreign Currency Risk

At June 30, 2016, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2016:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	$ 2,650	$ -	$ -	$ 2,650
Brazilian real	(5,349)	-	703	(4,646)
British pound sterling	(43,351)	-	-	(43,351)
Canadian dollar	31,384	-	-	31,384
Chilean peso	94	-	-	94
Chinese yuan renminbi	(1,582)	-	-	(1,582)
Colombian peso	1,872	-	(74)	1,798
Czech koruna	(45)	-	-	(45)
Danish krone	(1,423)	-	-	(1,423)
Euro	(67,878)	75	-	(67,803)
HK offshore Chinese yuan renminbi	(1,052)	-	-	(1,052)
Hong Kong dollar	3,569	-	-	3,569
Hungarian forint	2,652	-	-	2,652
Indian rupee	564	-	-	564
Indonesian rupiah	1,100	-	-	1,100
Japanese yen	100,599	-	-	100,599
Malaysian ringgit	4,087	-	-	4,087
Mexican peso	3,471	-	16	3,487
New Israeli shekel	5,513	-	-	5,513
New Romanian Leu	(740)	-	-	(740)
New Russian ruble	150	-	-	150
New Taiwan dollar	(2,758)	-	-	(2,758)
New Zealand dollar	53,079	-	-	53,079
Norwegian krone	(1,656)	87	-	(1,569)
Peruvian nuevo sol	(319)	-	-	(319)
Philippine peso	(272)	-	-	(272)
Polish zloty	1,865	-	(1)	1,864
Singapore dollar	3,074	-	-	3,074
South African rand	2,689	-	101	2,790
South Korean won	(75)	-	-	(75)
Swedish krona	10,958	-	-	10,958
Swiss franc	(33,477)	-	-	(33,477)
Thai baht	6,696	-	222	6,918
Turkish lira	(6,647)	-	-	(6,647)
Total	$ 69,442	$ 162	$ 967	$ 70,571

Contingent Features

At June 30, 2016, the Retirement System held no positions in derivatives containing contingent features.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

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% and 105% of the fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10%) of total fund assets on loan at any 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.

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, 2016, 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, 2016, the Retirement System lent $1.2 billion in securities and received collateral of $0.9 billion and $0.4 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account 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 $0.9 billion. The net unrealized gain of $2.1 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held in the account.

(Dollars in Thousands)

The Retirement System's securities lending transactions as of June 30, 2016, 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			
International Corporate Fixed Income	$ 5,600	$ 5,842	$ -
International Equities	40,741	42,797	-
International Government Fixed	1,105	1,153	-
U.S. Government Agencies	204	208	-
U.S. Corporate Fixed Income	114,536	116,353	-
U.S. Equities	439,182	445,863	-
U.S. Government Fixed Income	247,020	251,320	-
Securities on Loan for Non-Cash Collateral			
International Corporate Fixed Income	8,736	-	9,163
International Equities	295,913	-	315,144
International Government Fixed	105	-	110
U.S. Corporate Fixed Income	6,132	-	6,225
U.S. Equities	37,080	-	37,609
Total	$ 1,196,354	$ 863,536	$ 368,251

The following table presents the segmented time distribution, based upon the expected maturity (in years), for investments within the short term investment pool in which the securities lending cash collateral is invested, as of June 30, 2016.

Investment Type	Fair Value	Maturity Less Than 1 Year
Commercial Paper	$ 44,260	$ 44,260
Negotiable Certificates of Deposit	345,116	345,116
Repurchase Agreements	419,000	419,000
Short Term Investment Funds	57,305	57,305
Total	$ 865,681	$ 865,681

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2016 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AA	$ 153,323	17.7%
A	337,078	38.9%
Not Rated *	375,280	43.4%
Total	$ 865,681	100.0%

* Repurchase agreements of $270.0 million are not rated by Moody's, but are held by counterparties with S&P ratings of A or AA.

Investments in Real Assets Holdings

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, 2016 are summarized as follows:

Investments:	
Beginning of the year	$ 1,975,926
Capital investments	1,318,111
Equity in net earnings	48,492
Net appreciation in fair value	168,196
Capital distributions	(1,169,225)
End of the year	$ 2,341,500

The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were $492.2 million including $26.7 million in recourse debt at June 30, 2016. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a purchase and sale transaction.

(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.

As of June 30, 2016, 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	7.45
City Investment Pool	1.02
Treasury Money Market Fund	0.15

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 City's investment pool is not rated. Although the RHCTF's fixed income investments in various commingled funds are not rated, the issuers/sponsors of the funds are rated as of June 30, 2016 as follows:

Issuer/Sponsors	Investment Type	S&P	Moody's
Northern Trust Company	Equity Index Funds, Money Market Fund	A+	A2
Blackrock	US Debt Index Fund	AA-	A1

(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% 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% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

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% 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% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $241 million for the year ended June 30, 2016.

Taxable valuation for the year ended June 30, 2016 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $178 billion, an increase of 6.9%. The secured tax rate was $1.1826 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 Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.1826 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.66% and 5.09%, respectively, of the current year tax levy, for an average delinquency rate of 0.93% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% 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, 2016 was $22.9 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2016 was as follows:

Governmental Activities:	Balance July 1, 2015	Increases *	Decreases *	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 299,911	$ 34,350	$ -	$ 334,261
Intangible assets	8,716	28,468	(6,014)	31,170
Construction in progress	1,245,064	321,030	(1,110,001)	456,093
Total capital assets, not being depreciated	1,553,691	383,848	(1,116,015)	821,524
Capital assets, being depreciated:				
Facilities and improvements	3,534,003	905,660	-	4,439,663
Machinery and equipment	430,807	151,214	(11,073)	570,948
Infrastructure	799,764	57,439	-	857,203
Intangible assets	48,411	5,850	-	54,261
Total capital assets, being depreciated	4,812,985	1,120,163	(11,073)	5,922,075
Less accumulated depreciation for:				
Facilities and improvements	989,887	77,593	-	1,067,480
Machinery and equipment	354,605	25,995	(10,985)	369,615
Infrastructure	140,262	30,576	-	170,838
Intangible assets	7,212	3,102	-	10,314
Total accumulated depreciation	1,491,966	137,266	(10,985)	1,618,247
Total capital assets, being depreciated, net	3,321,019	982,897	(88)	4,303,828
Governmental activities capital assets, net	$ 4,874,710	$ 1,366,745	$ (1,116,103)	$ 5,125,352
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 217,441	$ -	$ -	$ 217,441
Intangible assets	12,043	-	-	12,043
Construction in progress	3,104,166	1,445,023	(1,428,728)	3,120,461
Total capital assets, not being depreciated	3,333,650	1,445,023	(1,428,728)	3,349,945
Capital assets, being depreciated:				
Facilities and improvements	15,114,928	1,165,666	(34,165)	16,246,429
Machinery and equipment	2,289,042	347,313	(67,314)	2,569,041
Infrastructure	1,270,624	19,582	-	1,290,206
Property held under Lease	697	-	-	697
Intangible assets	214,810	4,190	-	219,000
Total capital assets, being depreciated	18,890,101	1,536,751	(101,479)	20,325,373
Less accumulated depreciation for:				
Facilities and improvements	5,398,350	388,005	(24,261)	5,762,094
Machinery and equipment	1,362,063	154,496	(60,378)	1,456,181
Infrastructure	551,384	37,793	-	589,177
Property held under lease	697	-	-	697
Intangible assets	161,051	10,301	-	171,352
Total accumulated depreciation	7,473,545	590,595	(84,639)	7,979,501
Total capital assets, being depreciated, net	11,416,556	946,156	(16,840)	12,345,872
Business-type activities capital assets, net	$ 14,750,206	$ 2,391,179	$ (1,445,568)	$ 15,695,817

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Public protection	$	24,247
Public works transportation and commerce		29,285
Human welfare and neighborhood development		629
Community Health		4,145
Culture and recreation		52,210
General administration and finance		23,952
Capital assets held by the City's internal service funds charged to the various functions on a prorated bases		2,798
Total depreciation expense - governmental activities	$	137,266
Business-type activities:		
Airport	$	228,359
Water		106,666
Power		16,513
Transportation		133,715
Hospitals		32,619
Wastewater		50,799
Port		21,924
Total depreciation expense - business-type activities	$	590,595

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 $3.7 billion as of June 30, 2016. 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, 2016. 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, 2016.

In fiscal year 2015-16, the Airport had write-offs and loss on disposal in the amount of $13.1 million primarily due to disposal. During fiscal year ended June 30, 2016, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $0.4 million, $4.9 million, and $5.5 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2016, the City's enterprise funds incurred total interest expense and interest income of approximately $494.6 million and $25.8 million, respectively. Of these amounts, interest expense of approximately $88.2 million was capitalized.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2016, are as follows:

Type of Obligation	July 1, 2015	Additional Obligation	Current Maturities	June 30, 2016
Governmental activities:				
Commercial paper				
Multiple Capital Projects	$ 157,766	$ 684,861	$ (739,849)	$ 102,778
Governmental activities short-term obligations	$ 157,766	$ 684,861	$ (739,849)	$ 102,778
Business-type activities:				
Commercial paper				
San Francisco General Hospital	$ 3,761	$ 28,572	$ (3,761)	$ 28,572
San Francisco International Airport	40,000	304,100	(1,050)	343,050
San Francisco Water Enterprise	186,000	236,000	(186,000)	236,000
San Francisco Wastewater Enterprise	100,000	61,000	(100,000)	61,000
Business-type activities short-term obligations	$ 329,761	$ 629,672	$ (290,811)	$ 668,622

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 to $250.0 million from $150.0 million. The City currently has letters of credit supporting the $250.0 million program.

The CP is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days. The CP notes are supported by two Revolving Credit Agreements (RCA) issued by State Street Bank and Trust Company ("State Street Bank") and U.S. Bank N.A. with a fee of 0.45% and 0.45%, respectively and a Letter of Credit Agreement (LOC) issued by State Street Bank with a fee of 0.50%. The State Street Bank and US Bank N.A. RCAs are scheduled to expire in May 2021 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2016, the City retired $743.6 million and issued $713.4 million CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the San Francisco General Hospital and Trauma Center, rebuilding of severely distressed public housing sites while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (HOPE SF), War Memorial Veterans Building seismic retrofit and Moscone Center expansion. As of June 30, 2016, the outstanding principal amount of tax exempt and taxable CP was $119.9 million and $11.5 million, respectively. The tax exempt and taxable CP bear interest rates ranging from 0.43% to 0.47% and 0.53%, respectively.

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 CP in an aggregate principal amount not to exceed the lesser of $400.0 million or the stated amount of the letter(s) of credit securing the CP.

The Airport issues CP in series that are subdivided into subseries according to tax status and that are secured by 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 Airports' 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 Senior Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation 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 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 parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

During fiscal year 2016, the CP program was supported by two $100.0 million principal amount direct-pay LOC issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, with expiration dates of May 2, 2019, and May 31 2019, respectively, and a third LOC issued by Royal Bank of Canada in the principal amount of $200.0 million with expiration date of May 19, 2017. Each of the LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of $400.0 million as of June 30, 2016.

As of June 30, 2016, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2016, the Airport issued $280.4 million of new money CP (AMT) and $22.7 million (Non-AMT) to fund capital improvement projects. The Airport also issued and retired $1.1 million of new money CP (taxable) during fiscal year 2016 to fund costs related to various bond and note transactions. As of June 30, 2016, the interest rates on taxable, AMT and Non-AMT CP were 0.55%, 0.02% to 0.58%, and 0.05% to 0.52%, respectively.

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. Prior to June 2014, the $500.0 million CP authorization was comprised of $250.0 million pursuant to voter-approved 2002 Proposition A, and $250.0 million pursuant to voter-approved Proposition E. As of June 30, 2016, no CP was outstanding under Proposition A. Amounts outstanding under Proposition E were $236.0 million at June 30, 2016. CP interest rates ranged from 0.1% to 0.6%. 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.

Hetch Hetchy Water and Power

Effective December 2015, under Charter Sections 9.107(6) and 9.107(8), the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $90.0 million in CP for the purpose of reconstruction or replacement of existing generation, transmission and distribution facilities of the Hetch Hetchy Power. Hetch Hetchy Water and Power had no commercial paper outstanding as of June 30, 2016.

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 $500.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had $61.0 million CP outstanding as June 30, 2016.

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 notes 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. 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. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. The CP will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP notes have been drawn or outstanding as of June 30, 2016.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2016:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Earthquake safety and emergency response	2035	2.25% - 5.00%	$ 469,540
Parks and playgrounds	2035	2.00% - 6.26%	175,050
Road repaving and street safety	2035	2.00% - 5.00%	176,250
San Francisco General Hospital	2033	3.25% - 6.26%	573,085
Seismic safety loan program	2035	1.037% - 5.83%*	46,767
Transportation and road improvement	2035	2.75% - 5.00%	47,005
Refunding	2030	4.00% - 5.00%	523,360
General obligation bonds			2,011,057
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2034	0.425% - 5.75% **	196,055
CERTIFICATES OF PARTICIPATION:			
Certificates of participation [(c) & (d)]	2045	1.096% - 5.00%	589,580
OTHER LONG TERM OBLIGATIONS:			
Loans [(d) & (f)]	2045	2.00% - 5.74%	28,395
Revolving credit agreement loan - Transportation Authority [(c)]	2018	0.62% ***	114,664
Governmental activities total long-term obligations			$ 2,939,751

* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2016 was 1.037%.

** 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, 2016 for Series 2008 -1 & 2 averaged to 0.425%.

*** The Revolving credit agreement loan interest rate equals to the sum of 70% of 1-month LIBOR plus 30%.

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) Sales tax revenues recorded in the Transportation Authority Special Revenue Fund.
(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.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2044	2.00% - 6.00%*	$ 4,234,725
San Francisco Water Enterprise:			
Revenue bonds	2051	1.80% - 6.95%	4,075,890
Certificates of participation	2042	2.00% - 6.49%	111,405
Accreted interest	2019	-	5,860
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	0.00% - 5.00%	55,599
Certificates of participation	2042	2.00% - 6.49%	15,167
Municipal Transportation Agency:			
Revenue bonds	2044	3.00% - 5.00%	185,835
Loans	2019	2.86%	76
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	17,082
Capital leases	2017	2.41% - 2.66%	258
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	978,135
Certificates of participation	2042	2.00% - 6.49%	29,458
Port of San Francisco:			
Revenue bonds	2044	1.60% - 7.408%	54,125
Certificates of participation	2038	4.00% - 5.25%	33,335
Loans	2029	4.50%	2,244
Laguna Honda Hospital:			
Certificates of participation	2031	4.30% - 5.25%	131,710
Capital leases	2017	4.00%	8
Business-type activities total long-term obligations			$ 9,930,912

* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2016, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.12%, 0.11%, 0.12%, & 0.11%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.12%, 0.12% and 0.12%, 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 is in compliance with all significant limitations and restrictions contained in the limitations and restrictions in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2016, the City's debt limit (3% of valuation subject to taxation) was $5.83 billion. The total amount of debt applicable to the debt limit was $2.23 billion. The resulting legal debt margin was $3.60 billion.

(Dollars in Thousands)

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bond and certificates of participation issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2016. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

San Francisco Sustainable Financing

The City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) was formed in accordance with Ordinance 16-10 to implement the "GreenFinanceSF" program to provide financing for renewable energy, energy efficiency and water efficiency improvements on private or public property in the City. The bonded indebtedness issued by the Special District for the improvement area under the program are payable solely from special taxes levied and collected on property in the improvement area and are not considered obligation of the City. Assessments for the repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the leasehold interest on the parcels within the Special District No. 2009-1.

In October 2012, the City issued $1.4 million Special Tax Bonds Series A for the Area No.1 and in November 2014, the City issued $1.8 million Special Tax Bonds Series A for the Area No.2 of the Special District. As of June 30, 2016, the amount outstanding on the Area No. 1 and No. 2 bonds was $1.3 million and $1.8 million, respectively.

Assessment District

In June 1996, the City issued $1.0 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915 to finance the construction of a new public right-of-way and are not considered obligation of the City. The bonds mature from September 1998 through September 2026 bearing interest rates ranging from 6.0% to 6.85%. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. As of June 30, 2016, the principal amount of bonds outstanding was $0.6 million.

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 and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage for first time homebuyers in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2016, the total obligation outstanding was $711.5 million.

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2016, are as follows:

	July 1, 2015	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2016	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,881,110	$ 321,875	$ (191,928)	$ 2,011,057	$ 120,004
Lease revenue bonds	214,850	-	(18,795)	196,055	14,025
Certificates of participation	487,215	274,050	(171,685)	589,580	39,075
Subtotal	2,583,175	595,925	(382,408)	2,796,692	173,104
Issuance premiums / discounts:					
Add: unamortized premiums	239,215	32,845	(19,860)	252,200	-
Less: unamortized discounts	(1,594)	-	1,390	(204)	-
Total bonds payable, net	2,820,796	628,770	(400,878)	3,048,688	173,104
Loans	163,837	-	(20,778)	143,059	803
Accrued vacation and sick leave pay	149,874	110,753	(109,600)	151,027	85,868
Accrued workers' compensation	223,684	50,897	(46,756)	227,825	39,357
Estimated claims payable	157,660	30,978	(28,140)	160,498	53,627
Governmental activity long-term obligations	$ 3,515,851	$ 821,398	$ (606,152)	$ 3,731,097	$ 352,759

	July 1, 2015	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2016	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 9,551,350	$ 540,475	$ (563,115)	$ 9,528,710	$ 265,515
Clean renewable energy bonds	55,445	4,100	(3,946)	55,599	1,692
Certificates of participation	349,465	-	(11,308)	338,157	11,849
Subtotal	9,956,260	544,575	(578,369)	9,922,466	279,056
Issuance premiums / discounts:					
Add: unamortized premiums	440,114	103,525	(43,471)	500,168	-
Less: unamortized discounts	(601)	-	31	(570)	-
Total bonds payable, net	10,395,773	648,100	(621,809)	10,422,064	279,056
Accreted interest payable	5,471	389	-	5,860	-
Notes, loans, and other payables	2,369	97	(146)	2,320	163
Capital leases	1,174	-	(908)	266	266
Accrued vacation and sick leave pay	104,662	56,756	(52,805)	108,613	64,822
Accrued workers' compensation	171,890	57,863	(40,150)	189,603	31,867
Estimated claims payable	107,170	37,837	(27,939)	117,068	52,808
Long-term obligations	$10,788,509	$ 801,042	$ (743,757)	$10,845,794	$ 428,982

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 and compensated absences are generally liquidated by the General Fund.

(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2016 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 [4]	Total Principal	Total Interest
2017...........	$ 120,004	$ 89,914	$ 14,025	$ 4,973	$ 39,878	$ 26,768	$ 173,907	$ 121,655
2018...........	117,298	83,995	10,880	4,578	155,681	25,315	283,859	113,888
2019............	117,396	78,362	12,595	4,287	30,905	22,974	160,896	105,623
2020............	116,436	72,607	6,110	3,999	22,721	21,757	145,267	98,363
2021............	114,695	66,943	12,740	3,728	23,256	20,747	150,691	91,418
2022-2026....	618,208	249,785	70,275	13,692	114,440	88,624	802,923	352,101
2027-2031...	603,745	108,004	62,795	5,254	125,813	62,235	792,353	175,493
2032-2036...	203,275	14,189	6,635	777	114,866	33,231	324,776	48,197
2037-2041...	-	-	-	-	71,594	15,044	71,594	15,044
2042-2045...	-	-	-	-	33,485	3,494	33,485	3,494
Total.........	$ 2,011,057	$ 763,799	$ 196,055	$ 41,288	$ 732,639	$ 320,189	$ 2,939,751	$ 1,125,276

Business-Type Activity [1]

Fiscal Year Ending June 30	Revenue Bonds [5][6] Principal	Revenue Bonds [5][6] Interest	Clean Renewable Energy Bonds/ Certificates of Participation [6] Principal	Clean Renewable Energy Bonds/ Certificates of Participation [6] Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2017...........	$ 265,515	$ 477,197	$ 13,541	$ 21,285	$ 429	$ 147	$ 279,485	$ 498,629
2018...........	279,235	467,033	14,862	20,624	170	97	294,267	487,754
2019............	309,000	450,632	15,512	19,936	154	90	324,666	470,658
2020............	344,020	435,602	16,213	19,187	149	82	360,382	454,871
2021............	364,960	418,833	16,849	18,398	156	76	381,965	437,307
2022-2026....	1,969,965	1,812,548	89,361	78,920	891	267	2,060,217	1,891,735
2027-2031...	1,759,370	1,318,043	95,447	54,597	637	58	1,855,454	1,372,698
2032-2036...	1,544,180	899,452	48,073	32,539	-	-	1,592,253	931,991
2037-2041...	1,708,045	485,640	59,335	16,365	-	-	1,767,380	502,005
2042-2046...	844,790	125,742	24,563	2,046	-	-	869,353	127,788
2047-2051...	139,630	21,908	-	-	-	-	139,630	21,908
Total.........	$ 9,528,710	$ 6,912,630	$ 393,756	$ 283,897	$ 2,586	$ 817	$ 9,925,052	$ 7,197,344

(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 federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D. The subsidy is approximately $32.2 million and $6.6 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2016 was reduced by 6.8% due to federal sequestration. 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 0.425%, 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) The San Francisco County Transportation Authority variable interest rate revolving loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month LIBOR plus 0.30%. An assumed rate of 0.62% was used to project the interest rate payment in this table.

(5) 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 $108.9 million less.

(6) The interest payment is before federal subsidy. The federal subsidy for the San Francisco Water Enterprise, San Francisco Wastewater and Hetch Hetchy Water and Power were $472.5 million, $68.0 million and $7.3 million through the fiscal year ending 2051, respectively. The payment of subsidy by the IRS in fiscal year 2016 was reduced by 6.8% due to federal sequestration. Future interest subsidy may be reduced as well.

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 fiscal year ended June 30, 2016, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2015	$ 1,285,100
Increases in authorization this fiscal year:	
Affordable Housing	310,000
Public Health and Safety	350,000
Bonds issued:	
Series 2015B Transportation and Road Improvements	(67,005)
Series 2015A Seismic Safety Loan Program	(24,000)
Series 2016A Clean and Safe Neighborhood Parks	(8,695)
Series 2016B Clean and Safe Neighborhood Parks	(43,220)
Series 2016C Earthquake Safety and Emergency Response	(25,215)
Series 2016D Earthquake Safety and Emergency Response	(109,595)
Series 2016E Road Repaving and Street Safety	(44,145)
Net authorized and unissued as of June 30, 2016	$ 1,623,225

The increase in authorized amount of $310.0 million of Affordable Housing and $350.0 million of Public Health and Safety General Obligation Bonds was approved by at least two-third votes on Proposition A at an election held on November 3, 2015 and June 7, 2016, respectively. The proceeds of the Affordable Housing bonds will be used to finance the City's various affordable housing programs. The Public Health and Safety bonds will finance the acquisition and improvement of facilities for emergency response and safety, health care and homeless services.

In July 2015, the City issued Transportation and Road Improvement General Obligation Bonds Series 2015B in the amount of $67.0 million with interest rates ranging from 2.0% to 5.0% and maturity from June 2016 through June 2035. The proceeds of the Series 2015B will be used to finance the improvements to the City's transportation system, streets and roads and to pay certain costs related to the issuance of the Series 2015B.

In August 2015, the City issued Seismic Safety Loan Program General Obligation Bonds Series 2015A in the amount of $24.0 million to provide funds for loans for the seismic strengthening of privately-owned unreinforced masonry buildings within the City and to pay for the costs of issuance of the Series 2015A bonds. On the date of issuance, the Series 2015A shall be Index Rate Bonds and bear interest at the LIBOR Index Rate; provided that from the date of issuance to but not including the first business day of the next succeeding month, the Series 2015A shall bear interest at the rate as set in the Declaration of Trust. The initial index rate period shall commence on and be effective from the date of issuance of the Series 2015A and shall continue through the end of the initial period. The index rate shall be determined in accordance with the Declaration of Trust. At the option of the City, the interest rate with respect to all (but not less than all) Series 2015A may be (a) on any LIBOR Index Reset Date, converted from an Index Rate to a new Index Rate or (2) converted to a Fixed Rate, in each case in accordance with the Declaration of Trust. The Series 2015A will mature from June 2019 through June 2035.

(Dollars in Thousands)

In February 2016, the City issued Clean and Safe Neighborhood Parks General Obligation Bonds Series 2016A and 2016B in the amount of $8.7 million and $43.2 million, respectively. The proceeds of the Series 2016A and 2016B bonds will be used to finance improvements to park, open space and recreational facilities and to pay certain costs related to the issuance of the Series 2016A and 2016B bonds. Interest rates on both series range from 2.0% to 5.0% with principal amortizing from June 2016 through June 2035.

In April 2016, the City issued General Obligation Bonds Earthquake Safety and Emergency Response Series 2016C in the amount of $25.2 million, Earthquake Safety and Emergency Response Series 2016D in the amount of $109.6 million and Road Repaving and Street Safety Series 2016E in the amount of $44.1 million. The Series 2016C, 2016D and 2016E bonds bear rates ranging from 2.25% to 5.0% with principal amortizing from June 2016 through June 2035. The proceeds of the Series 2016C and 2016D bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructure and to pay certain costs related to the issuance of the Series 2016C and 2016D bonds. The proceeds of the Series 2016E bonds will be used to finance the repaving and reconstruction of various roads; the rehabilitation and seismic improvement of street structures; the replacement of sidewalks; the installation and renovation of curb ramps; the redesign of streetscapes to include pedestrian and bicycle safety improvements; and the construction, rehabilitation and renovation of traffic infrastructure within the City and to pay certain costs related to the issuance of the Series 2016E bonds.

The debt service payments on the general obligation bonds are funded through ad valorem taxes on property.

Certificates of Participation

In July 2015, the City issued Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements) Series 2015A and Series 2015B (the "Series 2015AB") for $112.1 million and $22.2 million respectively. The Series 2015AB were sold to provide funds to: 1) finance or refinance the costs of the seismic retrofit, construction, reconstruction, installation, equipping, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and located at 401 Van Ness Avenue, San Francisco; 2) fund capitalized interest payable with respect to the Series 2015AB through September 2015; 3) fund the 2015 Reserve Account of the Reserve Fund established under the Trust Agreement for the Series 2015AB; and 4) to pay costs of the execution and delivery of the Series 2015AB. The Series 2015A bears interest rates ranging from 4.0% to 5.0% with principal amortizing from April 2023 through April 2045. The Series 2015B bears interest rates ranging from 2.0% to 4.0% with principal amortizing from April 2016 through April 2024.

In October 2015, the City issued Refunding Certificates of Participation Series 2015-R1 (City Office Buildings-Multiple Properties Project) (the "Series 2015-R1") for $123.6 million to prepay a portion of certain outstanding certificates of participation the proceeds of which financed the acquisition of and capital improvements to certain office buildings occupied by various City departments or certain tenants which are qualified as non-profit organizations exempt from Federal income taxes pursuant to Section 501 (c)(3) of the Code ("501(c)(3) Tenants"); fund a debt service reserve for the Series 2015-R1; and pay costs of execution and delivery of the Series 2015-R1. The Series 2015-R1 matures from September 2016 through September 2040 with interest rate ranging from of 4.0% to 5.0%. The refunding resulted in the recognition of deferred accounting loss of $1.4 million and reduced the City's

aggregate debt service payment by $18.1 million over the next 25 years and obtained net present value savings of $11.9 million or 9.0% of refunded bond.

In June 2016, the City issued Certificates of Participation, (War Memorial Veterans Building Seismic Upgrade and Improvements) Series 2016A (the "Series 2016A") for $16.1 million to provide funds to: 1) reimburse the City for certain costs of the seismic retrofit, construction reconstruction, installation, equipping, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and located at 401 Van Ness Avenue, San Francisco; 2) fund the 2016 Reserve Account of the Reserve Fund established under the Trust Agreement for the Series 2016A; and 3) pay costs of the execution and delivery of the Series 2016A. The Series 2016A were issued with interest rates ranging from 1.096% to 3.771% and matures from April 2017 through April 2032.

At June 30, 2016, the City has a total of $589.6 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. Total debt service payments remaining on the certificates of participation are $888.2 million payable through April 1, 2045. For the fiscal year ended June 30, 2016, principal and interest paid by the City totaled $39.8 million and $25.3 million, respectively.

Lease Revenue Bonds

The changes in authorized and unissued lease revenue bonds -- governmental activities for the year ended June 30, 2016 were as follows:

Authorized and unissued as of June 30, 2015	$ 164,432
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	3,225
Current year maturities in Finance Corporation's equipment program	7,725
Net authorized and unissued as of June 30, 2016	$ 175,382

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 issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time as 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 San Francisco 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 $237.3 million payable through June 2034. For the fiscal year ended June 30, 2016, principal and interest paid by the Corporation in the form of lease payments made by the City totaled $18.8 million and $4.7 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, 2016, the amount authorized and outstanding was $67.7 million, and $6.5 million, respectively.

San Francisco County Transportation Authority Revolving Credit Agreement

In June 2015, the Transportation Authority substituted its $200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a $140.0 million tax-exempt revolving credit agreement (Revolving Credit Agreement). The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Credit Agreement expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month LIBOR plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement June 8, 2018. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax. The Transportation Authority paid $20.0 million of the outstanding balance of $134.7 million as of July 1, 2015. Annual principal and interest payments were $20.8 million in FY2015-16 and pledged revenues were $99.5 million for the year ended June 30, 2016. As of June 30, 2016, $114.7 million of the Revolving Credit Agreement balance was outstanding, with an interest rate of 0.62%.

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 approved in fiscal years 2008, 2012, 2014 and 2016, the Airport has authorized the issuance of up to $5.0 billion of San Francisco International Airport Second Series Revenue 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, 2016, $3.4 billion of the authorized capital plan bonds remained unissued.

In September 2015, the Airport authorized the issuance of an additional $243.0 million of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) and $225.0 million of San Francisco International Airport Hotel Special Facility Revenue Bonds to finance the development and construction of a new Airport-owned hotel and related AirTrain station. The Airport also designated the planned hotel as a "special facility" under the 1991 Master Resolution, which will allow 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. In order to obtain the lowest cost of financing, the Airport does not plan to sell the Hotel Special Facility Bonds to investors, but will purchase them itself with a portion of the proceeds of the Capital Plan Bonds, which will be sold to investors. The total net proceeds of the two bond issuances are expected to be approximately $243.0 million, which will be applied to the $225.0 million construction costs of the hotel and AirTrain station, capitalized interest and other costs of issuance. In December 2015, the City's Board of Supervisors authorized the issuance of such Hotel Special Facility Bonds and Capital Plan Bonds for the hotel and AirTrain station. Airport approval of the bond sale is required before such bonds can be issued.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

Second Series Revenue Refunding Bonds

Pursuant to sale resolutions approved between fiscal years 2005 through 2016, the Airport has authorized the issuance of up to $8.4 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate CP notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. In February 2016, the Airport issued its Second Series Revenue Refunding Bonds, Series 2016A (Non-AMT/Governmental Purpose), in the principal amount of $232.1 million to refund $66.5 million of its Issue 32F, $155.3 million of its Issue 32G and $63.1 million of its Issue 34D long-term fixed rate bonds for debt service savings. As of June 30, 2016, net of expired sale authorizations, $1.2 billion of such refunding bonds remained authorized but unissued.

Variable Rate Demand Bonds

As of June 30, 2016, the Airport had outstanding aggregate principal amount of $477.9 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C and Issue 37C, and Series 2010A (collectively, the "Variable Rate Bonds"), with final maturity dates of May 1, 2026 (Issue 36A/B/C), May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). 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 and purchase price of and interest on the Variable Rate Bonds is secured by separate irrevocable LOC issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below. Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.45% and 0.63% per annum. As of June 30, 2016, there were no unreimbursed draws under these facilities.

In June 2016, the Airport closed a new irrevocable LOC issued by Wells Fargo Bank, National Association, supporting the Second Series Variable Rate Revenue Refunding Bonds, Issue 36A. The LOC will expire June 29, 2018. In June 2016, the Airport closed a new irrevocable LOC issued by Bank of America, N.A., supporting the Second Series Variable Rate Revenue Refunding Bonds Series 2010A. The LOC expires June 29, 2020. The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2016, are as follows:

Variable rate bonds

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Series 2010A
Principal Amount	$ 100,000	$ 40,620	$ 36,145	$ 88,650	$ 212,475
Expiration Date	June 29, 2018	April 25, 2018	April 25, 2018	January 28, 2019	June 29, 2020
Credit Provider	Wells Fargo (1)	BTMU (2)	BTMU (2)	MUFG Union Bank (3)	Bank of America (4)

(1) Wells Fargo Bank, National Association
(2) The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(3) Formerly Union Bank, N.A.
(4) Bank of America, National Association

(Dollars in Thousands)

Interest Rate Swaps

Objective and Terms – In December 2004, the Airport entered into seven forward starting interest rate swaps (the 2004 swaps) with an aggregate notional amount of $405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026.

In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, in May 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the 2010 swaps). The expiration dates of the 2007 and 2010 swaps are May 1, 2029 and 2030, respectively. In the spring of 2008, the Airport refunded several issues of auction rate and variable rate bonds, including Issue 32 and Issue 33. The 2004 swaps associated with these issues then became associated with the Second Series Variable Rate Revenue Refunding Bonds, Issues 36A-D, and Issue 37A. Subsequently, in October 2008 and December 2008, the Airport refunded Issue 37A and Issue 37B, respectively. Concurrently with the refunding of Issue 37A, the three associated swaps with an aggregate notional amount of $205.1 million were terminated. The swap associated with Issue 37B was not terminated upon the refunding of Issue 37B.

In December 2010, the Airport terminated a swap associated with the Series 2010A-3 Bonds, with a notional amount of $72.0 million. The Airport paid a termination amount of $6.7 million to the counterparty, Depfa Bank plc. The payment was funded with taxable CP, which was subsequently retired with Airport operating funds in March 2011. Following the termination of the Depfa swap, the Series 2010A-3 Bonds, which are variable rate, were no longer hedged with an interest rate swap. The swap associated with the Issue 37B Bonds, however, is now associated with the Series 2010A-3 Bonds.

In September 2011, the Airport refunded the Issue 36D Bonds with proceeds of the San Francisco International Airport Second Series Revenue Bonds, Series 2011H and terminated the swap associated with Issue 36D, which had an initial notional amount of $30.0 million and JP Morgan Chase Bank, N.A. as counterparty. The Airport paid a termination fee of $4.6 million to the counterparty. Under the 2004 swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.50% of USD-LIBOR-BBA plus 0.29%. Under the 2007 and 2010 swaps, the Airport receives 61.85% of USD-LIBOR-BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below which commenced on the date of issuance of the related bonds. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds. All of the outstanding interest rate swaps are terminable at their market value at any time solely at the option of the Airport.

As of June 30, 2016, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2016.

#	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2016	Effective Date
1	36AB	$ 70,000	$ 70,000	2/10/2005
2	36AB	69,930	69,930	2/10/2005
3	36C	30,000	30,000	2/10/2005
4	2010A (37B)*	79,684	79,684	5/15/2008
5	37C	89,856	88,616	5/15/2008
6	2010A**	143,947	142,383	2/1/2010
	Total	$ 483,417	$ 480,613	

* The Issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.
** Hedges Series 2010-1 and 2010A-2.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All values were 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 Statement No. 72, the settlement amounts are then adjusted for the non-performance risk of each party to the swap to arrive at the fair value. For each swap, the non-performance 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 Statement No. 72 fair value hierarchy.

(Dollars in Thousands)

As of June 30, 2016, the fair value of the Airport's six outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are as follows:

#	Current Bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)	Fixed Rate Payable by Airport	Fair Value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	$ (8,963)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.445%	(8,965)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	(3,842)
4	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA-/Aa3/NR*	3.773%	(17,705)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.898%	(20,588)
6	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(36,069)
					$ (96,132)

* Reflects ratings of the guarantor.

** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purpose

*** Hedges Series 2010A - 1 and 2010A - 2.

Fair Value Hierarchy

	Fair Value 6/30/2016	Fair Value Measurement Using: Significant Other Observable Inputs (Level 2)
Interest rate swaps	$ (96,132)	$ (96,132)

The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2016 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2015 (as restated)	$ 65,408	$ 79,321
Change in fair value to year end	18,206	16,811
Balance as of June 30, 2016	$ 83,614	$ 96,132

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 statements 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). The 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. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2016.

Basis Risk – The Airport has chosen a variable rate index based on a percentage of London Interbank Offered Rate (LIBOR) plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. During the fiscal year ended June 30, 2016, the Airport paid a total of $2.0 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, 2016, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

Counterparty Risk – The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at its fair value, which may result in a payment to the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30, 2016, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

Termination Risk – All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty.

The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers:

#	Swap	Swap Insurer	Insurer Credit Ratings June 30, 2016 (S&P/Moody's/Fitch)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	Issue 36C	Assured Guaranty Municipal Corp.	AA/A2/NR
4	Series 2010A	None	N/A
5	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
6	Series 2010A	None	N/A

If the Airport is rated between Baa1/BBB+/BBB+ and Baa3/BBB-/BBB- (Moody's/S&P/Fitch), and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable replacement credit enhancement, assign the Airport's interest in the swaps to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB-/BBB- (Moody's/S&P/Fitch) or its ratings are withdrawn or suspended, and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any. With respect to the Series 2010A swaps with no swap insurance, the counterparty termination provisions and the Airport rating thresholds are the same as described above.

Additional Termination Events under the swap documents with respect to the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer rating downgrades or specified insurer nonpayment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade. Additional Termination Events under the swap documents with respect to a counterparty or its guarantor include a rating downgrade below A3/A1/A1 (Moody's/S&P/Fitch), followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

Goldman Sachs Group, Inc., which is the guarantor of the Airport's swap counterparty Goldman Sachs Bank USA, was downgraded to BBB+ by S&P during the year ended June 30, 2016.

Merrill Lynch Derivative Products AG, which is the guarantor of the Airport's swap counterparty Merrill Lynch Capital Services, Inc., was upgraded by one or more of the rating agencies during the year ended June 30, 2016.

The downgrade of any swap counterparty increases the risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment approximately equal to the fair value of such swap, depending on market conditions at the time. As of June 30, 2016, the fair value of each swap was negative to the Airport as shown above.

San Francisco Wastewater Enterprise

In May 2016, the San Francisco Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series A (Green Bonds) in the amount of $240.6 million with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $53.4 million of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively and mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2016, the principal amount outstanding of the 2016 Series A bonds was $240.6 million. Also in May 2016, the Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series B in the amount of $67.8 million with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $20.6 million of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively and mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2016, the principal amount outstanding of the 2016 Series B bonds was $67.8 million.

Hetch Hetchy Water and Power

In October 2015, Hetch Hetchy Power issued $4.1 million of taxable 2015 New Clean Renewable Energy Bonds (NCREB). The NCREB were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately-placed with Bank of America Leasing. The NCREB bears interest rate of 4.62%, with net effective interest rate of 1.4% after the federal tax subsidy and matures through fiscal year 2033.

(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 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.

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 Plan, a cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS PEPRA Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS PEPRA Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. Lastly, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous 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.

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 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%. Effective July 1, 2012, the SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan and the SFERS Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including the Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

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 Public Employees' Pension Reform Act (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.

(Dollars in Thousands)

The CalPERS' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after 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 12.25%	10.00% to 12.25%
Required employer contribution rates	9.96%		24.73%	24.73%

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 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	8.51%	6.24%	22.76%	9.52%

* *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.*

At June 30, 2016, the CalPERS' City Safety Plan had a total of 2,311 members who were covered by these benefits, which includes 944 inactive employees or beneficiaries currently receiving benefits, 329 inactive employees entitled to but not yet receiving benefits, and 1,038 active employees.

Contributions

For the years ended June 30, 2016 and 2015, the City's actuarial determined contributions were as follows:

	2016	2015
SFERS Plan	$ 496,343	$ 556,511 *
City CalPERS Miscellaneous Plan	33	31
City CalPERS Safety Plan	23,629	20,718 **
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	280	400
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	828	598
Treasure Island Development Authority CalPERS Miscellaneous Plan	2	2
	$ 521,115	$ 578,260

* *Fiscal Year 2015 SFERS Plan balance was decreased by $8.6 million as a result of early implementation of GASB Statement No. 82. Specifically, the 'employer pickup' amount which posted as an employer contribution was retroactively adjusted. This amount is now considered an employee contribution consistent with Statement No. 82.*

** *In Fiscal Year 2015 this amount was based on an estimate. A $102K adjustment was made to align the estimated employer contribution amount with the actual employer contribution per the June 30, 2015 Agent Multiple-Employer CalPERS report.*

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 2016 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2016, 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, 2014 actuarial report, the required employer contribution rates for fiscal year 2016 were 18.3% to 22.8%.

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.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2016 is distributed.

Governmental activities	$ 1,355,280
Business-type activities	976,938
Fiduciary funds	16,563
Component Unit - Treasure Island Development Authority	24
Total	$ 2,348,805

As of June 30, 2016, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	93.9032%	$ 2,156,049
City CalPERS Miscellaneous Plan	-0.2033%	(13,956)
City CalPERS Safety Plan	N/A	188,837
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0188%	1,288
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2413%	16,563
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0004%	24
Total		$ 2,348,805

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 of each of its cost-sharing plans is measured as of June 30, 2015, 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, 2014, rolled forward to June 30, 2015, 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, 2015 and 2014 were as follows:

	June 30, 2015 (Measurement Date)		June 30, 2014		
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	Change (Decrease)
SFERS Plan	93.9032%	$ 2,156,049	93.7829%	$ 1,660,365	$ 495,684
City CalPERS Miscellaneous Plan	-0.2033%	(13,956)	-0.1829%	(11,381)	(2,575)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0188%	1,288	0.0208%	1,299	(11)
Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans	0.2413%	16,563	0.2550%	15,869	694
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0004%	24	0.0000%	-	24
Total		$ 2,159,968		$ 1,666,152	$ 493,816

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 (Asset)
Balance at June 30, 2014 (VD)	$ 1,087,527	$ 920,371	$ 167,156
Change in year:			
Service cost	30,987	-	30,987
Interest on the total pension liability	80,057	-	80,057
Changes of assumptions	(19,949)	-	(19,949)
Difference between expected and actual experience	(14,218)	-	(14,218)
Plan to plan resource movement	-	(4)	4
Contributions from the employer	-	20,718	(20,718)
Contributions from employees	-	15,061	(15,061)
Net investment income	-	20,469	(20,469)
Benefit payments, including refunds of employee contributions	(44,699)	(44,699)	-
Administrative expense		(1,048)	1,048
Net changes during measurement period	32,178	10,497	21,681
Balance at June 30, 2015 (MD)	$ 1,119,705	$ 930,868	$ 188,837

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, 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	$ 56,971	$ 49,528	$ -	$ -	$ 106,499
City CalPERS Miscellaneous Plan	(429)	-	-	-	(429)
City CalPERS Safety Plan	13,168	-	-	-	13,168
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	(108)	-	-	-	(108)
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	1,681	-	1,681
Treasure Island District Authority CalPERS Miscellaneous Plan	-	-	-	7	7
Total pension expense	$ 69,602	$ 49,528	$ 1,681	$ 7	$ 120,818

At June 30, 2016, 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		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
Pension contributions subsequent to measurement date	$ 496,343	$ -	$ 1,143	$ -	$ 23,629	$ -	$ 521,115	$ -
Change in assumptions	162,900	41,307	-	629	-	15,310	162,900	57,246
Difference between expected and actual experience	-	148,728	67	-	-	10,912	67	159,640
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,221	7,698	1,584	12,259	-	-	4,805	19,957
Net differences between projected and actual earnings on plan investments	-	510,360	-	316	-	8,585	-	519,261
Total	$ 662,464	$ 708,093	$ 2,794	$ 13,204	$ 23,629	$ 34,807	$ 688,887	$ 756,104

At June 30, 2016, the City reported $521.1 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, 2017. 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	Deferred Outflows/ (Inflows) of Resources
2017	$ (246,999)
2018	(246,965)
2019	(246,049)
2020	151,681
Total	$ (588,332)

(Dollars in Thousands)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the July 1, 2014 actuarial valuation.

	SFERS Plan Actuarial Assumptions		CalPERS Miscellaneous and Safety Plans
Valuation date	June 30, 2014 updated to June 30, 2015		June 30, 2014 updated to June 30, 2015
Measurement date	June 30, 2015		June 30, 2015
Actuarial cost method	Entry-age normal cost method		Entry-age normal cost method
Investment rate of return	7.50%, net of pension plan investment expenses		7.65%, net of pension plan investment expense, including inflation
Municipal bond yield	4.31% as of June 30, 2014 3.85% as of June 30, 2015 Bond Buyer 20-Bond GO Index, July 2, 2014 and July 2, 2015		
Inflation	3.33%		2.75%
Projected salary increases	3.83% plus merit component based on employee classification and years of service		Varies by Entry Age and Service
Discount rate	7.46% as of June 30, 2015		7.65% as of June 30, 2015
Basic COLA	Old Miscellaneous and		
	All New Plans	2.00%	Contract COLA up to 2.75% until
	Old Police and Fire:		Purchasing Protection Allowance Floor on
	Pre 7/1/75 Retirements	3.00%	Purchasing Power applies. 2.75%
	Chapters A8.595 and A8.596	4.00%	thereafter.
	Chapters A8.559 and A8.585	5.00%	

Mortality rates for SFERS active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for SFERS healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020. Refer to SFERS's July 1, 2014 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System website.

The actuarial assumptions used in the SFERS June 30, 2014 valuation were based upon the results of an experience study for the period July 1, 2004 through June 30, 2009.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

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 rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rates

SFERS – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.58% as of June 30, 2014 and 7.46% as of June 30, 2015.

The discount rate used to measure SFERS's total pension liability as of June 30, 2015 was 7.46%. The projection of cash flows used to determine the discount rate assumed that plan member 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, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability. 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. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% 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 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 a Supplemental COLA to be granted, the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

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, 2015, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

Year Ending June 30	Assumption
2016	0.000%
2021	0.345%
2026	0.375%
2031	0.375%
2036+	0.375%

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 2076 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 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.85% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2015 is 7.46%.

(Dollars in Thousands)

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the 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	40.0%	5.1%
Fixed income	20.0%	1.2%
Private equity	18.0%	7.5%
Real assets	17.0%	4.1%
Hedge Funds/Absolute Return	5.0%	3.5%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.65 percent. 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent 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 (11-60 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global equity	51.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

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 Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.46%	Current Share of NPL @ 7.46%	1% Increase Share of NPL @ 8.46%
SFERS	$ 4,767,771	$ 2,156,049	$ (34,278)

	1% Decrease Share of NPL @ 6.65%	Current Share of NPL @ 7.65%	1% Increase Share of NPL @ 8.65%
City CalPERS Miscellaneous Plan	$ (11,026)	$ (13,956)	$ (16,375)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	2,349	1,289	413
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	31,054	16,563	4,600
Treasure Island District Authority CalPERS Miscellaneous Plans	35	24	16

The following presents the NPL, calculated using the discount rate of 7.65% in effect as of the measurement date, as well as what the NPL would be if they were calculated using discount rates that are 1.00% lower (6.65%) or 1.00% higher (8.65%) than the rates used, for the City's agent-multiple employer plan:

Agent Pension Plan	1% Decrease @ 6.65%	Measurement Date @ 7.65%	1% Increase @ 8.65%
City CalPERS Safety Plan - Net Pension Liability	$ 342,724	$ 188,837	$ 61,895

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.

(Dollars in Thousands)

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 $674.6 million in fiscal year 2015-16. 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 $193.8 million to provide postemployment health care benefits for 27,126 retired participants, of which $158.4 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)

Plan Description – The City maintains a single-employer, defined benefit other postemployment benefits plan, which provides health care benefits to employees, retired employees, and surviving spouses, through the City's Health Service System outlined above. Health care benefits are provided to members of the Health Service System through three plan choices: City Health Plan, Kaiser, and Blue Shield. The City does not issue a separate report on its other postemployment benefit plan.

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF), an irrevocable trust fund that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust and has two participating employers: the City and the San Francisco Community College District (Community College District). From the most recent actuarial valuation reports as of July 1, 2014, there were 29,001 active members, 25,919 retirees and beneficiaries, and 2,843 vested, terminated members for the City. The Community College District had 1,369 active members and 1,041 eligible retirees.

The RHCTF is administered by the City and is presented as an other post-employment benefit trust fund. It is governed by a Retiree Health Care Board of Administration consisting of five trustees: one selected by the City Controller, one by the City Treasurer, one by the Executive Director of the San Francisco Employees' Retirement System, and two elected by the active and retired members of the City's Health Service System. The RHCTF issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For the year ended June 30, 2016, the City paid $158.4 million for postemployment

healthcare benefits on behalf of its retirees and contributed $10.5 million to the Retiree Health Care Trust Fund.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2014 actuarial valuation.

The net OPEB obligations are reflected in the statements of net position of the governmental activities, business-type activities, and fiduciary funds. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 354,540
Interest on Net OPEB obligation	89,557
Adjustment to annual required contribution	(117,964)
Annual OPEB cost	326,133
Contribution made	(168,855)
Increase in net OPEB obligation	157,278
Net OPEB obligation - beginning of year	1,990,156
Net OPEB obligation - end of year	$ 2,147,434

The table below shows how the total net OPEB obligation as of June 30, 2016, is distributed.

Governmental activities	$ 1,202,986
Business-type activities	878,590
Fiduciary funds	65,858
Net OPEB obligation - end of year	$ 2,147,434

Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 353,251	47.2%	$ 1,793,753
6/30/2015	363,643	46.0%	1,990,155
6/30/2016	326,133	51.8%	2,147,434

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty-year period. As of July 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2014, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). Unfunded liabilities are amortized using the level percentage of payroll over a rolling 30-year period. The actuarial assumptions included a 4.50% investment rate of return on investment; 3.25% inflation rate; 3.75% payroll growth; and actual medical premiums from 2014 through 2017 and grading down to an ultimate trend rate beginning in 2032 of 4.50%.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities.

The Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the RHCTF balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and did not have a net OPEB obligation as of June 30, 2016. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2015, covering the year ended June 30, 2016. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 57.3% funded and the unfunded actuarial accrued liability was $0.9 million. As of June 30, 2015, the estimated covered payroll was $3.9 million and the ratio of the UAAL was 22.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2016. Financial statements

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for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103 or the Transportation Authority's website.

For the year ended June 30, 2016, the Transportation Authority's annual OPEB expense of $200.7 was greater than the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 138.4	100%	$ -
6/30/2015	138.4	100%	-
6/30/2016	200.7	103%	(5.8)

Successor Agency

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA) healthcare plan, which is administered by CalPERS. The Successor Agency pays monthly retiree medical benefit contributions to PEMHCA. Premiums in excess of the above Successor Agency contributions are paid by the retirees. Benefits provisions are established and may be amended by the Successor Agency.

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent multiple-employer trust. Copies of CalPERS' financial report may be obtained from CalPERS website at www.calpers.ca.gov or from CalPERS at 400 Q Street, Sacramento, California 95811.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2016, the Successor Agency contributed $1.2 million to this plan.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the ARC of the employer. The ARC 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. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed.

(Dollars in Thousands)

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2016, and the changes in the net OPEB obligation:

Annual required contribution	$ 813
Interest on Net OPEB obligation	58
Adjustment to annual required contribution	(75)
Annual OPEB cost	796
Contribution made	(1,199)
Decrease in net OPEB obligation	(403)
Net OPEB obligation - beginning of year	833
Net OPEB obligation - end of year	$ 430

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 912	139%	$ 867
6/30/2015	918	104%	833
6/30/2016	796	151%	430

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 10,998
Actuarial value of plan assets	2,833
Unfunded actuarial accrued liability (UAAL)	$ 8,165
Funded ratio (actuarial value of plan assets/AAL)	25.8%
Covered payroll (active plan members)	$ 4,261
UAAL as a percentage of covered payroll	191.6%

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The ARC for the year ended June 30, 2016 and the funding status of the plan was determined based on the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.0%; (b) medical costs trend increases of 4%; (c) inflation rate of 2.75%; (d) payroll growth of 2.75%; and (e) 2014 CalPERS mortality for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 22 years, respectively.

(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2016, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Prepaids, and Deposits	$ 522	$ 82	$ 604
Restricted			
Rainy Day	120,106	43,131	163,237
Public Protection			
Police	-	19,107	19,107
Sheriff	-	1,203	1,203
Other Public Protection	-	15,257	15,257
Public Works, Transportation & Commerce	-	201,781	201,781
Human Welfare & Neighborhood Development	-	226,831	226,831
Affordable Housing	-	256,381	256,381
Community Health	-	26,683	26,683
Culture & Recreation	-	129,394	129,394
General Administration & Finance	-	20,400	20,400
Capital Projects	-	383,267	383,267
Debt Service	-	120,521	120,521
Total Restricted	120,106	1,443,956	1,564,062
Committed			
Budget Stabilization	178,434	-	178,434
Recreation and Parks Expenditure Savings	8,736	-	8,736
Total Committed	187,170	-	187,170
Assigned			
Public Protection			
Police	8,071	857	8,928
Sheriff	4,349	2,156	6,505
Other Public Protection	16,923	-	16,923
Public Works, Transportation & Commerce	65,614	34,248	99,862
Human Welfare & Neighborhood Development	52,727	5,060	57,787
Affordable Housing	22,498	-	22,498
Community Health	64,943	-	64,943
Culture & Recreation	15,750	11,866	27,616
General Administration & Finance	54,329	11,898	66,227
General City Responsibilities	54,575	-	54,575
Capital Projects	125,107	-	125,107
Litigation and Contingencies	145,443	-	145,443
Subsequent Year's Budget	249,238	-	249,238
Total Assigned	879,567	66,085	945,652
Unassigned	241,797	(103,811)	137,986
Total	$ 1,429,162	$ 1,406,312	$ 2,835,474

(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 5 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 does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2015-16 through 2019-20.

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 does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2015-16 through 2019-20.

Recreation and Parks Expenditure Savings Reserve

The City maintains a Recreation and Parks 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, 2016, encumbrances recorded in the General Fund and nonmajor governmental funds were $191.0 million and $259.2 million, respectively.

(d) Restricted Net Position

At June 30, 2016, the government-wide statement of net position reported restricted net position of $1,331.5 million in governmental activities and $538.5 million in business-type activities, of which $15.7 million and $67.6 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

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 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 $406.8 million of unrestricted net position of governmental activities, of which $290.1 million reduced net investment in capital assets and $116.7 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 Environmental Protection Fund, Human Welfare Fund, and Senior Citizens' Program Fund had deficits of $0.1 million, $2.0 million, and $0.3 million, respectively, as of June 30, 2016. The deficits relate to unavailable revenue in various programs which is expected to be collected beyond 60 days of the end of fiscal year 2016.

The Moscone Convention Center Fund had a $101.4 million deficit as of June 30, 2016. The deficit is primarily related to the issuance of commercial paper for construction and will be covered by refinancing commercial paper as long term debt.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $10.8 million and $6.9 million, respectively, as of June 30, 2016 mainly due to the other postemployment benefits liability accrued per GASB Statement No. 45 and the net pension liability and pension-related deferred inflows per GASB Statement No. 68. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in the 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. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. 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. At June 30, 2016, the Successor Agency has a deficit of $377.0 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, 2016 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues	$ 56,709	$ 59,021	$ 115,730
Property Tax	53,829	12,986	66,815
Teeter Plan	36,008	-	36,008
SB 90	8,218	-	8,218
Advances to Successor Agency	-	14,602	14,602
Franchise tax	3,130	-	3,130
Loans	6,473	75,328	81,801
Total	$ 164,367	$ 161,937	$ 326,304

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 (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 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.

Proposition AA Administrator of County Vehicle Registration Fee 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 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%). In December 2012, the Transportation Authority Board approved the first Proposition AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). 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.

Loan Agreement with Treasure Island Development Authority. In July 2008, the Transportation Authority entered into a loan agreement with the Treasure Island Development Authority (TIDA) for the repayment of project management oversight, engineering and environmental costs for the Yerba Buena Island (YBI) Ramps Improvement Project.

(Dollars in Thousands)

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) **San Francisco International Airport**

San Francisco International Airport (the Airport), 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 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 2015 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 sixteenth in terms of cargo. 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 the bond resolutions) to repay the following obligations, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (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 2016, 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 are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	$ 232,075
Bond principal and interest remaining due at end of the fiscal year	6,705,026
Commercial paper issued with subordinate revenue pledge	304,100
Commercial paper principal and interest remaining due at end of the fiscal year	343,050
Net revenues	473,086
Bond principal and interest paid in the fiscal year	416,610
Commercial paper principal and interest paid in the fiscal year	3,900

Debt Service Requirement **–** Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. 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 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:

(a) 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

(b) 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 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges 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, 2016, the FAA has approved several Airport applications to collect and use passenger facility charges (from PFC #2 to PFC #6) in a total cumulative amount of $1.7 billion, with a final charge expiration date estimated to be March 1, 2026. The Airport is working with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017 to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. For the year ended June 30, 2016, the Airport reported approximately $99.1 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were $73.2 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2016, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements**.** Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

Purchase commitments for construction, material and services as of June 30, 2016 are as follows:

Construction	$ 75,769
Operating	15,810
Total	$ 91,579

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, 2016 was $42.5 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2016 was $140.7 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 fiscal year ended June 30, 2016, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines	23.5%

(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. Annual principal and interest payments through 2044 are expected to require less than 13% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is $95.6 million. The principal and interest payments made in 2016 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2016 were $33.3 million.

The Port has entered into a loan agreement with the California Department 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 $3.0 million. Annual principal and interest payments were $0.23 million in 2016 and pledged harbor revenues were $0.14 million for the year ended June 30, 2016.

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, 2016, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $15.1 million for capital projects and $2.6 million for general operations.

Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30.0 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2016, $47.2 million of Port funds have been appropriated and $46.6 million expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2016, the $19.1 million in services provided by other City departments included $2.9 million of insurance premiums and $0.5 million in workers' compensation expense.

Pursuant to a memorandum of understanding dated August 31, 2015, a jurisdiction transfer from the Port to the San Francisco Real Estate Division of property commonly known as Daggett Street was completed to facilitate an open space improvement in connection with an adjacent residential development project. In fiscal year 2016 and in connection with all secured approvals, the Port received a transfer fee of $1,675,000.

General Obligation Bonds for Parks – The San Francisco Clean and Safe Neighborhood Parks Bond general obligation bond issued in 2012 included $34.5 million and in 2008 $33.5 million for funding

allocated for parks and open space projects on Port property. In February 2016, the Port received $13.2 million of proceeds from the 2012 bond and $8.5 million from the 2008 bond for waterfront projects. Certain of these projects are in progress at June 30, 2016.

South Beach Harbor Project Obligations – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. In 2015, the Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service. Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately $7.9 million, including certain structural repairs, soft costs and recommended contingencies.

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 may encounter hazardous materials and/or generate hazardous waste.

A 65-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.

(Dollars in Thousands)

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. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at $11.0 million at June 30, 2016.

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 2016, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2015	$ 10,703	$ 71	$ 10,774
Current year claims and changes in estimates	266	1	267
Vendor payments	-	(12)	(12)
Environmental liabilities at June 30, 2016	$ 10,969	$ 60	$ 11,029

(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 2016, the Water Enterprise sold water, approximately 62,501 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), 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).

Pledged Revenues – The Water Enterprise 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 solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2016 and applicable revenues for 2016 are as follows:

Bonds issued with revenue pledge	$ 4,288,095
Bond principal and interest remaining due at end of the fiscal year	7,599,211
Net revenues	229,160*
Bond principal and interest paid in the fiscal year	219,195
Funds available for revenue debt service	391,893

*Net revenues included appropriated available funds.

During fiscal year 2016, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $209.1 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, 2016, the City owed the Wholesale Customers $21.5 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2016, the Water Enterprise had outstanding commitments with third parties of $283.3 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2016, the total pollution remediation liability was $3.0 million, consisting of $1.7 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, $1.2 million for the 17th and Folsom site and $0.1 million for the Pulgas Dechloramination Facility and the Harry Tracy Water Treatment Plant.

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 $36.6 million and $8.3 million, respectively, for the year ended June 30, 2016, 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 $16.0 million for the year ended June 30, 2016 and have been included in services provided by other departments.

(d) Hetch Hetchy Water and Power Enterprise

San Francisco Hetch Hetchy Water and Power 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. Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power and Hetch Hetchy Water, a portion of the Water Enterprise's operations, specifically the up-country water supply and transmission service for the latter. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% 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 renewables. The CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and is reported as part of Hetch Hetchy Power.

Approximately 70% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 30% balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their 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. Both the Hetch Hetchy Water fund and the Hetch Hetchy Power fund are reported for in a single enterprise (i.e., Hetch Hetchy Water and Power Enterprise). CleanPowerSF is presented as part of Hetch Hetchy Power. 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	Total
Assets:			
Current assets	$ 35,353	$ 178,127	$ 213,480
Receivables from other funds and component units	-	12,875	12,875
Noncurrent restricted cash and investments	1,669	40,757	42,426
Other noncurrent assets	173	1,608	1,781
Capital assets	113,867	290,382	404,249
Total assets	151,062	523,749	674,811
Deferred outflows of resources related to pensions	3,746	4,578	8,324
Liabilities:			
Current liabilities	4,638	26,574	31,212
Noncurrent liabilities	23,554	107,077	130,631
Total liabilities	28,192	133,651	161,843
Deferred inflows of resources related to pensions	3,905	4,773	8,678
Net position:			
Net investment in capital assets	113,867	255,897	369,764
Restricted for captial projects	1,409	-	1,409
Restricted for debt service	-	306	306
Unrestricted	7,435	133,700	141,135
Total net position	$ 122,711	$ 389,903	$ 512,614

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	Total
Operating revenues	$ 38,742	$ 125,994	$ 164,736
Depreciation expense	(3,874)	(12,639)	(16,513)
Other operating expenses	(32,662)	(99,320)	(131,982)
Operating income	2,206	14,035	16,241
Nonoperating revenues (expenses):			
Interest and investment income (loss)	(38)	1,318	1,280
Interest expense	-	(3,355)	(3,355)
Other nonoperating revenues	132	10,702	10,834
Transfers in (out), net	-	680	680
Change in net position	2,300	23,380	25,680
Net position at beginning of year, as restated	120,411	366,523	486,934
Net position at end of year	$ 122,711	$ 389,903	$ 512,614

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	Total
Net cash provided by (used in):			
Operating activities	$ 6,245	$ 26,911	$ 33,156
Noncapital financing activities	132	10,135	10,267
Capital and related financing activities	(15,558)	(36,948)	(52,506)
Investing activities	9	(1,258)	(1,249)
Decrease in cash and cash equivalents	(9,172)	(1,160)	(10,332)
Cash and cash equivalents at beginning of year	45,539	202,257	247,796
Cash and cash equivalents at end of year	$ 36,367	$ 201,097	$ 237,464

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 2046 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, during 2016, and applicable revenues for 2016 are as follows:

Hetch Hetchy Power (excluding CleanPowerSF)	
Bonds issued with revenue pledge	$ 64,871
Bond principal and interest remaining due at end of the fiscal year	95,688
Net revenues	19,070
Bond principal and interest paid in the fiscal year	2,014
Funds available for revenue debt service	33,044

Commitments and Contingencies – As of June 30, 2016, Hetch Hetchy Water and Power had outstanding commitments with third parties of $63.6 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 (MID) and Turlock Irrigation District (TID) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were $4.7 million in fiscal year 2016. 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% and the Districts are responsible for 48% of the costs.

Hetch Hetchy Power
In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the Commission and the Board of Supervisors approved the extension of both agreements for one year to June 30, 2016. A second extension agreement has been subsequently approved to continue the current terms and conditions for MID through June 30, 2017. The second extension agreement for TID proposes to remove the district's rights to excess energy from the project and terminate those conditions with the first extension agreement on June 30, 2016. The Commission will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the Commission's municipal load obligations.

For fiscal year 2016, energy sales to the Districts totaled 377,981 Megawatt hours (MWh) or $13.7 million.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver power to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2016, Hetch Hetchy Power purchased $4.9 million of transmission, distribution services, and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

The Interconnection Agreement with PG&E also contains a contractual provision allowing Hetch Hetchy to bank Hetch Hetchy Power produced in excess of its load obligations, with a maximum of 110,000 MWh. At June 30, 2016, the balance in the bank was zero MWh, or $0. The banking provisions expired with the expiration of the Interconnection Agreement and have not been replaced; power produced in excess of the City's load obligations is sold to third parties eligible to purchase such power under the Raker Act.

In January 2016, Hetch Hetchy Power entered into an Irrevocable Direct-Pay Letter of Credit with J.P. Morgan Chase in an aggregate amount of $17.0 million. The Letter of Credit guarantees payment of any termination payment obligations of CleanPowerSF pursuant to the aforementioned Power Purchase Agreements. The Letter of Credit is secured by Hetch Hetchy Power revenue at the 11th lien level under the Hetch Hetchy Power Indenture.

Hetch Hetchy is exposed to risks that could negatively impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the financial results of Hetch Hetchy are sensitive to variability in watershed hydrology and market prices for energy.

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 has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine transaction requires a reserve balance equivalent to two months' worth of estimated payment obligations. At June 30, 2016, total electricity purchased from Calpine and Shiloh was $1.6 million.

CleanPowerSF entered into contract with Noble Americas in November 2015 for a three-year term, not to exceed $5.6 million to provide administrative and customer care services related to electricity data management, billing, call center and related services. During fiscal year 2016, amount paid was $0.024 million and included in Hetchy Power's start-up costs for CleanPowerSF.

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 $36.6 million and purchased electricity for $8.3 million for the year ended June 30, 2016. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $9.9 million for the year ended June 30, 2016. Included in 2016 operating revenues are sales of power to departments within the City of $84.3 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately $9.5 million for the year ended June 30, 2016 and have been included in services provided by other departments.

(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 financial statements include the entire San Francisco's (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter-entity transactions have been eliminated.

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 revenues to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which approved $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 seventh largest system in the United States. It currently carries more than 222 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.

(Dollars in Thousands)

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three nonprofit corporations provide operational oversight to four parking garages: Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four parking garages, Union Square and Portsmouth are owned by the City's Recreation and Park Department but managed by the SFMTA. The activities of these parking garages are accounted for in SFMTA's parking garage accounts.

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 revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2044.

Annual principal and interest payments for fiscal year 2016 were 29.5% 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 2016 and applicable revenues are as follows:

Bonds issued with revenue pledge	$ 209,840
Bond principal and interest remaining due at end of the fiscal year	311,365
Net revenues	39,405
Bond principal and interest paid in the fiscal year	16,495
Funds available for revenue debt service	55,900

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA and Sustainable Streets 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 $381.3 million in fiscal year 2016. The General Fund subsidy includes a total revenue baseline transfer of $284.7 million, as required by the City Charter, $68.9 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 2016, SFMTA received $27.7 million from this source.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2016, the SFMTA had approved capital grants with unused balances amounting to $906.4 million. Capital grants receivable as of June 30, 2016 totaled $136.1 million.

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, 2016, the SFMTA had various operating grants receivable of $30.7 million. In fiscal year 2016, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.6 million, and other federal, state, and local grants of $8.5 million, to fund project expenses that are operating in nature.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was 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. The SFMTA received cash totaling $12.6 million in fiscal year 2016 for different 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, 2016 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 further extended the date to June 30, 2018. 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 2016, $69.7 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $567.2 million with third parties, for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately $53.1 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2
In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2016 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date. The deferred inflows of resources amortized amounts were $9.4 million and $2.4 million for the Tranche 1 Equipment and Tranche 2 Equipment in fiscal year 2016.

On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of $99.3 million. On May 24, 2016, Muni terminated leveraged lease transactions with respect to 28 items of Tranche 1 Equipment having an initial transaction value of $89.6 million and 21 items of Tranche 2 Equipment having an initial transaction value of $72.6 million. On June 27, 2016, Muni terminated leveraged lease transactions with respect to 31 items of Tranche 1 Equipment having an initial transaction value of $100.4 million. As of June 30, 2016, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of $98.7 million remains outstanding.

(Dollars in Thousands)

(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, 2016, the subsidy for LHH was $51.3 million.

Net Patient Service Revenue - Net patient service 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.

During the year ended June 30, 2016, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 81,015	$ 5,034	$ 2,723	$ 88,772
Less:				
Provision for Contractual Allowances	(53,508)	(3,324)	(1,798)	(58,630)
Total, net	$ 27,507	$ 1,710	$ 925	$ 30,142

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 406,764	$ 24,618	$ 13,317	$ 444,699
Less:				
Provision for Contractual Allowances	(212,223)	(16,189)	(12,613)	(241,025)
Total, net	$ 194,541	$ 8,429	$ 704	$ 203,674

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. As of June 30, 2016, LHH recorded $71.3 million of subvention receivable for matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2016, LHH recorded approximately $28.3 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 total approximately $10.0 million for the year ended June 30, 2016 and have been included in services provided by other departments.

Commitments and Contingencies – As of June 30, 2016, LHH has entered into various purchase contracts totaling approximately $0.7 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 (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 fiscal year ended June 30, 2016, the subsidy for SFGH was $240.1 million.

Net Patient Service Revenue - Net patient service 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 receivables are recorded net of estimated allowances, which include allowances for contractuals, 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 Medi-Cal Hospital/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.

(Dollars in Thousands)

During the year ended June 30, 2016, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 248,465	$ 124,029	$ 131,638	$ 504,132
Less:				
Contractual Allowances	(221,716)	(113,886)	(83,383)	(418,985)
Provision for Bad Debt	-	-	(23,061)	(23,061)
Total, Net Accounts Receivable	$ 26,749	$ 10,143	$ 25,194	$ 62,086

Patient Service Revenue, Net

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 1,642,905	$ 685,408	$ 891,771	$ 3,220,084
Less:				
Contractual Allowances	(1,496,445)	(566,949)	(361,200)	(2,424,594)
Bad Debt Write off	-	-	(85,868)	(85,868)
Total, Net Patient Service Revenue	$ 146,460	$ 118,459	$ 444,703	$ 709,622

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated $17.8 million for the year ended June 30, 2016. The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes.

The Bridge to Heath Care Reform waiver expired October 31, 2015. On December 30, 2015, the Centers for Medicare and Medicaid Services (CMS) approved Medi-Cal 2020, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift the focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component to public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new 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 would be 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 Medi-Cal 2020 approximated $129.5 million for the fiscal year ended June 30, 2016.

The City submitted an application to participate in the Whole Person Care Pilot Program. The State Department of Health Care Services is reviewing all applications and counties will be notified of their decision in early December 2016.

In addition, SFGH was reimbursed by the State, 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 fiscal year ended June 30, 2016, reimbursement under the Short-Doyle Program amounted to approximately $5.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2016, SFGH recorded approximately $340 million in unearned credits and other liabilities, which was comprised of $299.2 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the LIHP, and AB915 programs, and $40.8 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 $216.3 million and estimated costs and expenses to provide charity care were $59.8 million in fiscal year 2016.

Other Revenues – SFGH recognized $52.2 million of realignment funding for the year ended June 30, 2016. 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. The State predetermined an amount of health realignment to be redirected of $12 million in FY15-16 for the City and withheld those amounts from health realignment remittances to the City. A reconciliation using actual experience will be concluded within two years after June 30, 2015 for FY14-15 and within two years after June 30, 2016 for FY15-16.

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, 2016, was approximately $156.9 million.

SFGH Rebuild – In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at $887.4 million. The majority of the funding would be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. $887.4 million of General Obligation Bonds were issued to fund the hospital rebuild. The new hospital was constructed and reached substantial completion on August 18, 2015. Patients were moved into the new hospital on May 21, 2016.

The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds. The new facility is capitalized and also recorded under governmental activities.

Gift – SFGH received a gift in the amount of $5.0 million and $57.4 million, in FY15-16 and FY14-15, respectively, 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, 2016, SFGH has spent $30.5 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $31.9 million as restricted funds.

Commitments and Contingencies – As of June 30, 2016, SFGH has approximately $4.2 million in commitments for various capital projects.

(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. The Wastewater Enterprise serves approximately 147,430 residential accounts, which discharge about 15.8 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,151 non-residential accounts, which discharge about 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. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2047.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2016
(Dollars in Thousands)

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2016, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,072,950
Bond principal and interest remaining due at end of the fiscal year	1,730,167
Net revenues	100,084
Bond principal and interest paid in the fiscal year	60,022
Funds available for revenue debt service	239,931

Commitments and Contingencies – As of June 30, 2016, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $190.7 million.

Pollution Remediation Obligations – As of June 30, 2016, the Wastewater Enterprise recorded $2.6 million in pollution remediation liability, consisting of $2 million cleanup cost estimate at the Yosemite Creek site, $0.6 million at the Southeast and Oceanside Treatment sites, and $0.01 million for the hazardous materials at the Southeast plant. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs.

Transactions with Other Funds –The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $9.9 million for the year ended June 30, 2016. 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 $26.2 million for the year ended June 30, 2016 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.

On May 29, 2013, the California Department of Finance (DOF) granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the Recognized Obligation Payments Schedule (ROPS) as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

(Dollars in Thousands)

In addition, the receipt of the Finding of Completion allowed the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP pertains to the disposition and use of real properties held by the Successor Agency. Part 1 of the LRPMP, which addresses the disposition of property located at 706 Mission Street, was approved by the DOF on October 4, 2013. During fiscal year 2016, the property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement. After incorporating feedback from the DOF, the remainder of the LRPMP was approved by the Oversight Board on November 23, 2015, and by the DOF on December 7, 2015.

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, 2016, the summary of changes in capital assets is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land held for lease	$ 54,769	$ -	$ -	$ 54,769
Construction in progress	633	1,187	-	1,820
Total capital assets not being depreciated	55,402	1,187	-	56,589
Capital assets being depreciated:				
Furniture and equipment - General	8,144	-	-	8,144
Building and improvements	227,843	-	(25,791)	202,052
Total capital assets being depreciated	235,987	-	(25,791)	210,196
Less accumulated depreciation for:				
Furniture and equipment	(8,093)	(11)	-	(8,104)
Building and improvements	(95,200)	(5,532)	7,272	(93,460)
Total accumulated depreciation	(103,293)	(5,543)	7,272	(101,564)
Total capital assets being depreciated, net	132,694	(5,543)	(18,519)	108,632
Total capital assets, net	$ 188,096	$ (4,356)	$ (18,519)	$ 165,221

During the year ended June 30, 2016, the Successor Agency sold a property with a book value of $18.5 million to a developer. The purchase price was $37.5 million, of which $25.2 million was used to pay off advances from the City, $8.9 million was used to partially pay off Tax Allocation Bonds Series 2003 B, and $3.3 million was used to pay off Tax Allocation Bonds Series 2014 A. The gain from the sale of the property was recorded as an other addition in the Statement of Changes in Fiduciary Net Position.

(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	4.00% - 5.00%	$ 34,260
Tax allocation revenue bonds [(b)]	2044	0.57% - 9.00%	804,659
South Beach Harbor Variable Rate Refunding bonds [(c)]	2017	3.50%	675
California Department of Boating and Waterways Loan [(d)]	2037	4.50%	6,857
Total long-term bonds and loans			$ 846,451

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.
(c) South Beach Harbor Project cash reserves, redevelopment property tax revenues, and project revenues transferred from the capital projects fund.
(d) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency. On April 21, 2016, the Successor Agency issued two refunding bonds, Tax Allocation Refunding Bonds Series 2016 A (2016 Series A Bonds) for $73.9 million and Tax Allocation Refunding Bonds Series 2016 C (2016 Series C Bonds) for $73.2 million and one new issuance, Mission Bay South Redevelopment Project Series 2016 B (2016 Series B Bonds) for $45.0 million.

Proceeds from the 2016 Series A Bonds plus original issue premium of $15.6 million and funds on hand from the refunded bonds of $17.3 million were used to fully refund 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C bonds in the amount of $12.9 million, $29.5 million, $25.3 million, and $25.7 million, respectively, plus accrued interest and issuance costs. The refunding resulted in net present value savings of $19.6 million and an accounting loss of $11.5 million. The 2016 Series A Bonds bear fixed interest rates of 3.00% to 5.00% and reach final maturity on August 1, 2041.

Proceeds from the 2016 Series C Bonds of $73.2 million plus original issue premium of $13.9 million and funds on hand from the refunded bonds in the amount of $11.3 million were used to fully refund 2009 Series D Bonds and 2011 Series D Bonds in the amount of $45.0 million and $34.9 million, respectively, plus accrued interest and issuance costs. The refunding resulted in net present value savings of $15.9 million and an accounting loss of $17.2 million. The 2016 Series C Bonds bear fixed interest rates of 2.00% to 5.00% and reach final maturity on August 1, 2041.

Proceeds from the 2016 Series B Bonds plus original issue premium of $8.4 million will be used to finance redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 Series B Bonds bear fixed interest rate of 2.00% to 5.00% and reach final maturity on August 1, 2043.

(Dollars in Thousands)

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 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.46 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2016, were $119.3 million against the total debt service payment of $97.9 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 2026, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $43.1 million. The hotel tax revenue recognized during the year ended June 30, 2016 was $5.0 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2016, are as follows:

	July 1, 2015	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2016
Bonds payable:				
Tax revenue bonds	$ 889,174	$ 192,120	$ (241,700)	$ 839,594
Less unamortized amounts:				
For issuance premiums	13,558	37,924	(1,701)	49,781
For issuance discounts	(4,365)	-	1,417	(2,948)
Total bonds payable	898,367	230,044	(241,984)	886,427
Accreted interest payable............................	37,501	4,714	-	42,215 [(1)]
Notes, loans, and other payables....................	7,075	-	(218)	6,857
Accrued vacation and sick leave pay..............	639	349	(87)	901
Other postemployment benefits obligation........	833	796	(1,199)	430
Successor Agency - long term obligations...	$ 944,415	$ 235,903	$ (243,488)	$ 936,830

(1) Amounts represent interest accretion Capital Appreciation Bonds.

As of June 30, 2016, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest*	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2017............	$ 48,230	$ 41,523	$ 227	$ 309	$ 48,457	$ 41,832
2018............	51,465	41,453	238	298	51,703	41,751
2019............	61,815	38,958	248	288	62,063	39,246
2020............	46,477	39,463	260	276	46,737	39,739
2021............	32,507	38,243	271	265	32,778	38,508
2022-2026.....	152,303	199,386	1,550	1,130	153,853	200,516
2027-2031.....	132,422	132,443	1,932	748	134,354	133,191
2032-2036.....	142,419	93,881	2,108	272	144,527	94,153
2037-2041.....	127,701	34,719	23	1	127,724	34,720
2042-2044.....	44,255	2,862	-	-	44,255	2,862
Total..........	$ 839,594	$ 662,931	$ 6,857	$ 3,587	$ 846,451	$ 666,518

* Includes payment of accreted interest

Due to/Advances from the Primary Government – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance property tax revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. In accordance with HSC Section 34191.4(b)(3), interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have accrued interest at the Local Agency Investment Fund (LAIF) rate, which was less than the statutory rate as of June 30, 2015. During the year ended June 30, 2016, the Successor Agency retroactively applied the 3% interest rate and increased the balance by $2.2 million. Also during the same fiscal year, the City advanced $0.7 million in property tax revenues to the Successor Agency for debt service payments. Interest in the amount of $0.6 million was accrued based on the balance due to the City, and the Successor Agency has made payments in the amount of $26.8 million to the City to fully repay the advances.

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. In accordance with HSC Section 34191.4(b)(3), interest is accrued quarterly at an annual rate of 3% on the principal balance due to the City. For the year ended June 30, 2016, interest in the amount of $0.4 million was accrued, and the Successor Agency made payments in the amount of $1.8 million to the City. The outstanding payable balance at June 30, 2016, was $14.6 million, which was comprised of principal of $11.8 million and accrued interest of $2.8 million.

As of June 30, 2016, the Successor Agency also has a payable to the City in the amount of $2,611 which consists of $554 for Jessie Square cost reimbursements and $2,057 for other services provided.

(Dollars in Thousands)

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2016, the Successor Agency had outstanding encumbrances totaling approximately $63.0 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 Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission; these are enforceable obligations of the Successor Agency. As of June 30, 2016, the Successor Agency has exercised several of the lease options. The leases require the following minimum annual payments:

Fiscal Years		Fiscal Years	
2017.................	$ 1,341	2022-2026...........	$ 4,351
2018.................	870	2027-2031...........	4,351
2019.................	870	2032-2036...........	4,351
2020.................	870	2037-2041...........	4,351
2021.................	870	2042-2046...........	4,351
		2047-2051...........	2,828
		Total.................	$ 29,404

Rent payments totaling $1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2016.

Regarding rental income, the Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows:

Fiscal Years		Fiscal Years	
2017..................	$ 4,506	2027-2031...........	$ 21,757
2018..................	4,486	2032-2036...........	22,830
2019..................	4,362	2037-2041...........	20,037
2020..................	4,248	2042-2046...........	19,834
2021..................	4,269	2047-2050...........	2,819
2022-2026...........	22,000		
		Total.................	$ 131,148

For the year ended June 30, 2016, operating lease rental income for noncancelable operating leases was $11.3 million, of which $7.1 million represents contingent rental income received. At June 30, 2016, the leased assets had a net book value of $35.3 million.

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, 2016, the Successor Agency disbursed $47.7 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, 2016, the gross value of the notes and mortgage receivable was $110.7 million and the allowance for uncollectible amounts was $109.0 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and 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 developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2016, the Successor Agency had outstanding community facility district bonds totaling $191.4 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, 2016, the Successor Agency received $1.6 million from a developer and distributed the funds 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 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.

(Dollars in Thousands)

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; leasing approximately 700 existing housing units; and overseeing the U.S. Navy's toxic 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 represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's history. 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). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones for the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a substantial step towards implementation of the project.

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. Collectively, the entitlements provide a holistic picture of the future development. 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 290 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Existing structures on Yerba Buena were demolished between February and August 2016, and demolition of structures in the first area of development on Treasure Island began in July 2016. The first infrastructure construction projects – new water reservoirs and new roadways, utilities, and related facilities on Yerba Buena Island – have been awarded and will mobilize in November 2016, with vertical construction beginning in 2017, and the first new homes ready for occupancy in 2019. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, and amended several times over the intervening years, the Transportation Authority entered into a loan agreement with TIDA in the amount of $11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18.8 million. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid. The repayment to the Transportation Authority was structured to be paid by TIDA in three installments with the first installment equal to 50% of the current balance being due 30 days after the first close of escrow for transfer of the Naval Station Treasure Island to TIDA from the Navy. The second installment is due on the anniversary of the first installment in an amount of 50% of the then current balance, and a final payment of the remaining balance of the loan is due thereafter. This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy. Under the Disposition and Development Agreement between TIDA and Treasure Island Community Development, LLC (TICD), the master developer for Treasure Island and Yerba Buena Island, TICD is committed to fulfill TIDA's obligations under the loan agreement between TIDA and the Transportation Authority. On June 26, 2015, TICD made a payment directly to the Transportation Authority on TIDA's behalf in the amount of $5.4 million. On June 28, 2016, TICD made a payment to TIDA in the amount of $2.8 million which TIDA, in turn, paid to the Transportation Authority on June 30, 2016.

As of June 30, 2016, TIDA has the following payables to other City departments:

		6/30/2016		
Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	$ -	$ 2,894	$ 2,894
SFCTA	YBI and mobility management expenses	220	-	220
Hetch Hetchy	Utility operations under MOU	200	228	428
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 420	$ 5,721	$ 6,141

(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, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 4,366
	San Francisco Water Enterprise	230
		4,596
Nonmajor Governmental Funds	General Fund	1,380
	Nonmajor Governmental Funds	3,213
	Internal Service Funds	361
	Municipal Transportation Agency	2,503
	San Francisco Wastewater Enterprise	2
	San Francisco Water Enterprise	7
		7,466
General Hospital Medical Center	General Fund	55
	Nonmajor Governmental Funds	2
		57
San Francisco Water Enterprise	General Fund	141
	Nonmajor Governmental Funds	304
		445
Hetch Hetchy Water and Power Enterprise	General Fund	14
	Nonmajor Governmental Funds	7,220
	Port of San Francisco	65
	General Hospital Medical Center	513
	San Francisco Wastewater Enterprise	1,269
	San Francisco Water Enterprise	549
		9,630
Municipal Transportation Agency	Nonmajor Governmental Funds	16,973
San Francisco Wastewater Enterprise	General Fund	9
	Nonmajor Governmental Funds	19
		28
Total		$ 39,195

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, 2016, Hetch Hetchy loaned $8.4 million to other City funds. Hetch Hetchy is also due $1.2 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of $17.0 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 200	(1)
Nonmajor Governmental Funds	Component unit – TIDA	220	(1)
General Fund	Successor Agency	920	(2)
Nonmajor Governmental Funds	Successor Agency	1,297	(2)
Municipal Transportation Agency	Successor Agency	31	(2)
San Francisco Water Enterprise	Successor Agency	94	(2)
Hetch Hetchy Water and Power Enterprise	Successor Agency	218	(2)
San Francisco Wastewater Enterprise	Successor Agency	51	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 2,827	(1)
Nonmajor Governmental Funds	Component unit – TIDA	2,894	(1)
Nonmajor Governmental Funds	Successor Agency	14,602	(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 Out: Funds	Transfers In: Funds (in thousands) General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General Fund	$ -	$ 289,079	$ 5	$ 200	$ 110	$ 381,342	$ 240,120	$ 80	$ 80	$ 51,327	$ 962,343
Nonmajor governmental funds	8,636	78,799	-	34,168	1,275	142,147	-	380	24,052	-	289,457
Internal Service Funds	115	-	-	-	-	-	-	-	-	-	115
San Francisco International Airport	42,542	-	-	-	-	-	-	-	-	-	42,542
Water Enterprise	214	910	-	-	-	-	-	-	-	-	1,124
Hetch Hetchy Water and Power Enterprise	673	32	-	-	-	-	-	-	-	-	705
Municipal Transportation Agency	2,335	2,359	-	-	-	-	-	-	-	-	4,694
San Francisco General Hospital Medical Center	131,411	-	-	-	-	-	-	-	-	28	131,439
Wastewater Enterprise	16,453	32	-	-	-	-	-	-	-	-	16,485
Port of San Francisco	-	32	-	-	-	-	-	-	-	-	32
Laguna Honda Hospital	7,115	-	-	-	-	-	-	-	-	-	7,115
Total transfers out	$ 209,494	$ 371,243	$ 5	$ 34,368	$ 1,385	$ 523,489	$ 240,120	$ 460	$ 24,132	$ 51,355	$ 1,456,051

The $962.3 million General Fund transfer out includes a total of $672.7 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (note 13). The transfer of $289.1 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 to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $42.5 million to the General Fund, representing a portion of concession revenues (note 13(a)). The General Fund received transfers in of $110.2 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT), $1.9 million for interest earned by the SFGH but credited to General Fund (note 13(g)), $1.9 million for COLA adjustment allocation to various Department of Public Health (DPH) division. SFGH transferred to General Fund $0.2 million for equipment lease payments, $0.2 million for primary care center projects and offset by $1.0 million transfer from General Fund for Healthy San Francisco. The General Fund also received $18 million from SFGH and $7 million from Laguna Honda Hospital to fund the DPH project and $0.1 million for interest earned by the Laguna Honda Hospital funds but credited to General Fund.

SFMTA received $142.1 million transfers from nonmajor governmental funds, of which $61.9 million was for capital activities, $18.3 million was for operating activities, and $61.9 million to fund various street improvement projects. In turn, the SFMTA transferred $2.4 million to nonmajor governmental funds to pay for various street improvement projects. On the other hand, the SFMTA transferred $2.3 million to the General Fund for reimbursement on the 4th Street Bridge project.

The Water Enterprise received $34.4 million from transfers in, of which included $34.2 million in general obligation bond proceeds for the Auxiliary Water Supply System Earthquake Safety and Emergency Response project and $0.2 million from General Fund for the San Francisco War Memorial Veterans Building project.

The Wastewater Enterprise transferred $16.5 million to the General Fund in order to secure jurisdiction of the City owned property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"). On the other hand, the Wastewater Enterprise received $0.4 million from the Department of Public Works for the Ocean Beach project and community projects.

The Port of San Francisco received $24.1 million transfer in, of which include a transfer fee of $1.7 million for a jurisdiction transfer to the San Francisco Real Estate Division of property to facilitate open space improvements in connection with as adjacent residential development project, $0.7 million for Port's capital project, $13.2 million and $8.5 million of proceeds from the 2012 and 2008 San Francisco Clean and Safe Neighborhood Parks Bond, respectively, for waterfront projects.

The $1.4 million Hetch Hetchy transfers represents $1.3 million from nonmajor funds for the Lighting and Traffic Safety project, and $0.1 million from the General Fund for energy efficiency project. In turn, Hetch Hetchy transferred $0.7 million to the General Fund for Lighting Energy Efficiency projects, Heating, Ventilating and Air Conditioning (HVAC) projects.

(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):

Primary Government

Governmental Activities

Fiscal Years	
2017..................	$ 41,033
2018..................	37,032
2019..................	29,528
2020..................	26,016
2021..................	19,137
2022-2026..........	43,856
2027-2031..........	974
2032-2034..........	260
Total................	$ 197,836

Operating leases expense incurred for fiscal year 2015-16 was approximately $36.9 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2017............	$ 162	$ 2,712	$ 12,419	$ 15,293
2018............	73	2,712	12,661	15,446
2019............	-	2,712	12,816	15,528
2020............	-	2,712	12,611	15,323
2021............	-	2,712	13,099	15,811
2022-2026....	-	13,558	62,679	76,237
2027-2031....	-	13,558	70,306	83,864
2032-2036....	-	13,558	68,899	82,457
2037-2041....	-	13,558	74,473	88,031
2042-2046....	-	13,558	91,136	104,694
2047-2051....	-	13,558	-	13,558
2052-2056....	-	13,558	-	13,558
2057-2061.......	-	13,558	-	13,558
2062-2065.......	-	8,360	-	8,360
Total.............	$ 235	$ 130,384	$ 431,099	$ 561,718

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2015-16 was $0.2 million, $2.8 million, and $17.1 million, respectively.

(Dollars in Thousands)

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years	
2017	$ 2,641
2018	1,927
2019	856
2020	750
2021	603
2022-2026	824
2027-2031	450
Total	$ 8,051

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-type Activities
2017	$ 104,343	$ 41,305	$ 1,526	$ 4,539	$ 151,713
2018	88,223	32,949	1,572	4,489	127,233
2019	50,050	29,467	1,619	4,085	85,221
2020	23,159	26,237	1,668	3,103	54,167
2021	16,757	24,761	1,718	2,450	45,686
2022-2026	34,731	100,434	9,395	7,488	152,048
2027-2031	-	84,110	-	6,267	90,377
2032-2036	-	77,111	-	6,250	83,361
2037-2041	-	49,518	-	6,250	55,768
2042-2046	-	39,431	-	6,250	45,681
2047-2051	-	31,582	-	6,250	37,832
2052-2056	-	19,017	-	5,833	24,850
2057-2061	-	17,231	-	-	17,231
2062-2066	-	17,231	-	-	17,231
2067-2071	-	11,302	-	-	11,302
2072-2076	-	10,208	-	-	10,208
2077-2081	-	699	-	-	699
Total	$ 317,263	$ 612,593	$ 17,498	$ 63,254	$ 1,010,608

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 $26.3 million and $18.7 million, respectively, in fiscal year 2015-16. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher; also in

accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators 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 attributable to the rental car companies was approximately $43.3 million for fiscal year 2015-16.

Other Commitments

The Retirement System has commitments to contribute capital for real assets and private equity investments in the aggregate amount of approximately $4.7 billion at June 30, 2016.

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.

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 new Transbay Transit Center, which will replace the former Transbay Terminal in downtown San Francisco with a modern transit hub. In May 2016, the City's Board of Supervisors adopted Resolution 166-16 approving and authorizing the execution and delivery of Tax Exempt and/or Taxable Lease Revenue Commercial Paper Certificates of Participation and Tax Exempt and/or Taxable Direct Placement Revolving Certificates of Participation in a combined aggregate principal of amount not to exceed $260 million to provide interim financing for the Transbay Transit Center construction project. As of June 30, 2016, the City has not issued the Certificates of Participation related to this resolution.

(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 general 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 deductible of $500 per single occurrence. 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 and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

(Dollars in Thousands)

The Port carries the following insurance: 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 losses up to the insured appraised value of Port facilities, subject to a maximum of $1.0 billion and a deductible of $750 per occurrence; and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $75 per occurrence and changes in insurance coverage to reflect current insurer appraisal values and best available policy. 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. 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 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-insure
b. Property	Self-insure and purchase insurance
c. Workers' Compensation	Self-insure
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. As of June 30, 2016, the reserve was $20.1 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 scheduled 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. 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.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2016 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, 2014, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2014-2015	$ 247,059	$ 87,834	$ (70,063)	$ 264,830
2015-2016	264,830	68,815	(56,079)	277,566

Breakdown of the estimated claims payable at June 30, 2016 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 53,627
Long-term portion of estimated claims payable	106,871
Total	$ 160,498
Business-type activities:	
Current portion of estimated claims payables	$ 52,808
Long-term portion of estimated claims payable	64,260
Total	$ 117,068

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2016 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, 2016 was $417.4 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, 2014, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2014-2015	$ 383,876	$ 94,397	$ (82,699)	$ 395,574
2015-2016	395,574	108,760	(86,906)	417,428

(Dollars in Thousands)

Breakdown of the accrued workers' compensation liability at June 30, 2016 is as follows:

Governmental activities:		
Current portion of accrued workers' compensation liability......	$	39,357
Long-term portion of accrued workers' compensation liability..		188,468
Total	$	227,825
Business-type activities:		
Current portion of accrued workers' compensation liability......	$	31,867
Long-term portion of accrued workers' compensation liability..		157,736
Total	$	189,603

(19) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2016, the City issued a total of $91.4 million tax-exempt and $13.0 million taxable commercial paper (CP) with interest rates ranging from 0.44% to 0.45% and 0.58%, respectively and maturity of September 2016. The CP was issued to refund $99.8 million of maturing CP and obtain $4.5 million new funding for the Moscone Expansion and affordable housing (HOPE SF) projects. The refinanced CP was issued to provide interim funding for Moscone expansion project, the purchase of capital equipment for the San Francisco General Hospital and Trauma Center, and the rebuilding of distressed public housing sites to increase affordable housing (HOPE SF).

In August 2016, the City refinanced maturing notes by issuing a total of $31.6 million tax exempt CP with interest rate ranging from 0.43% to 0.47% to mature September and October 2016. The CP was issued to provide interim funding for Moscone expansion project and capital equipment for the San Francisco General Hospital and Trauma Center.

In September 2016, the City issued $10.0 million tax-exempt CP for the Moscone Expansion project and rolled over a total of $13.0 million taxable and $106.1 million tax-exempt maturing CP. The taxable CP bears interest rate of 0.72% and the tax-exempt CP bears interest rates ranging from 0.69% to 0.82%. The CP matures October and November 2016.

In September 2016, the Airport issued its Second Series Revenue Bonds, Series 2016B (AMT) and Series 2016C (Non-AMT), in the aggregate principal amount of $740.1 million to finance and refinance (through the repayment of subordinate commercial paper notes) a portion of the capital plan. It also issued its Second Series Revenue Refunding Bonds, Series 2016D (Non-AMT/Governmental Purpose) in the amount of $147.8 million to refund a portion of the Series 2010C, 2011D, and 2011G bonds. The Series 2016BCD bonds are uninsured, long-term, fixed rate bonds. The Series 2016B bonds mature between May 2038 and May 2046 with a coupon of 5%. The Series 2016C Bonds mature in May 2046 with a coupon of 5%. The Series 2016D Bonds mature between 2017 and 2031 with a coupon of 5%. The net proceeds of the Series 2016BC bonds ($779.2 million) were used to repay the entire outstanding balance of subordinate commercial paper notes ($343.0 million), and make a deposit into the Airport's construction accounts to fund capital projects at the Airport. As of October 7, 2016, the Airport had no subordinate commercial paper notes outstanding.

In October 2016, the San Francisco Public Utilities Commission issued $893.8 million of San Francisco Water Revenue Bonds, Series 2016 A and B. The Series 2016 A and B Bonds refunded all or a portion of the following outstanding series of Water Revenue Bonds – 2006 B, 2006 C, 2009 A, 2009 B, 2010 A and 2010 F Bonds. The issuance resulted in approximately $107.0 million of net present value debt service savings for the Water Enterprise Fund.

In October 2016, the City issued $115.4 million tax-exempt CP to refinance $113.7 maturing notes for the Moscone Expansion Project, San Francisco General Hospital capital equipment purchase and HOPE SF, and $1.5 million in new funding for the Moscone Expansion project. The CP bears interest rate ranging from 0.80% to 0.95% will mature in December 2016 and January 2017.

In November 2016, the City issued General Obligation Bonds Series 2016F (Affordable Housing) in the amount of $75.1 million to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households; to pay certain costs related to the issuance of Series 2016F. The bonds mature from June 2017 through June 2036 with interest rates ranging from 2.0% to 3.1%. Debt service payments for the Series 2016F are funded through ad valorem taxes on property.

In November 2016, the City issued $50.4 million tax-exempt CP to refinance $32.7 million maturing CP and $17.4 million in new funding for the Moscone Expansion and HOPE SF projects. The CP bears interest rate of 0.60% and 0.65% and will mature in January 2017.

(b) Elections

On November 8, 2016 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition C – An ordinance that authorizes the City to use the remaining $261.0 million in unissued general obligation bonds approved under the 1992 ordinance to acquire, improve and rehabilitate at-risk multi-unit residential buildings in need of seismic, fire, health and safety upgrades or other major rehabilitation; and convert those buildings to permanent affordable housing.

Proposition E – An ordinance that transfers the responsibility from property owners to the City for maintaining trees and sidewalks damaged by trees. The City would then be liable for injuries and property damage resulting from failure to maintain the trees and to repair sidewalks damaged by trees. The City would pay for maintaining these trees and sidewalks by setting aside $19.0 million per year from the City's General Fund, adjusted annually based on the City's revenue. Included in this proposition is an early termination clause that at any time before January 1, 2017, the Mayor, after consulting with the Budget Director and the Controller, and after taking into account the City's projected revenues and expenditures in the City's financial plans, may terminate implementation of sections of this charter amendment (Section 16.129 – Street Tree Maintenance).

Proposition I – A charter amendment that creates a Dignity Fund and set aside at least $38.0 million a year, plus scheduled increases, from the General Fund to provide guaranteed funding for programs and services to seniors and adults with disabilities. This fund will expire on June 30, 2037.

Proposition J – A charter amendment that creates a Homeless Housing and Services Fund, which will provide services to the homeless including housing and navigation centers, programs to prevent homelessness and assistance to transitioning out of homelessness by allocating $50.0 million per year for 24 years, adjusted annually; and create a Transportation Improvement Fund, which will be used to improve the City's transportation network by allocating $101.6 million per year for 24 years, adjusted annually. Included in this proposition is an early termination clause that at any time before January 1, 2017, the Mayor, after consulting with the Budget Director and the Controller, and after taking into account the City's projected revenues and expenditures in the City's financial plans, may terminate sections of this charter amendment (Section 16.135 – Transportation Improvement Fund).

Proposition V – A City's Business Tax and Regulation Code amendment to impose a one cent per fluid ounce tax on the initial distribution within the City of sugar sweetened beverages beginning January 1, 2018.

Proposition W – An ordinance that increases the transfer tax rate for real property with a sales price of more than $5.0 million, including leases of 35 years or more. The current tax rate will not change.

(c) Net Pension Liability

Subsequent to the fiscal year ended June 30, 2016, a GASB Statement No. 67/68 report for the San Francisco Employees' Retirement System (SFERS) dated November 2016 was issued by Cheiron, SFERS' actuary, resulting in a significant increase in the City's net pension liability. Based on this new report, the City's net pension liability is approximately $5.48 billion, which will be reported in the City's financial statements for the fiscal year ending June 30, 2017 in accordance with GASB Statement No. 68. This increase is due to investment losses, the Appeals Court's elimination of the full funding requirement for certain members, and the impact of the revised demographic assumptions and change in discount rate.

(d) Property Transactions

On September 19, 2016, U.S. Department of the Navy transferred to the Treasure Island Development Authority (TIDA) portions of the former Naval Station Treasure Island including Site 27 Parcel (Clipper Cove), consisting of approximately 20.27 acres and Site 21 Parcel and Building 3, consisting of approximately 6.67 acres. This is the second transfer of Navy land to TIDA. The first transfer occurred on May 29, 2015. Both transfers are part of the Economic Development Conveyance Memorandum of Agreement between the United States of America, acting by and through the Department of the Navy and TIDA for the Conveyance of the Naval Station Treasure Island dated July 2, 2014.

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability

June 30, 2016
(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 as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
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 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 Change – There were no changes in benefits during the year.

Changes of Assumptions – The discount rate was reduced from 7.58% to 7.46%.

CalPERS Miscellaneous Plans

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumption – The discount rate was changed from 7.5 percent (net of administrative expense) in fiscal year 2015 to 7.65 percent in fiscal year 2016 to correct for an adjustment to exclude administrative expense.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only two years of information is shown.

** Due to early implementation of GASB Statement No. 82, the City updated covered employee payroll with covered payroll.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2016*
(Dollars in Thousands)

City CalPERS Safety Plan	2016	2015
Total pension liability:		
Service cost	$ 30,987	$ 32,688
Interest on the total pension liability	80,057	76,177
Changes of assumptions	(19,949)	-
Difference between expected and actual experience	(14,218)	-
Benefit payments, including refunds of employee contributions	(44,699)	(41,387)
Net change in total pension liability	32,178	67,478
Total pension liability, beginning	1,087,527	1,020,049
Total pension liability, ending	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:		
Plan to plan resource movement	$ (4)	$ -
Contributions from the employer	20,718	20,613
Contributions from employees	15,061	15,216
Net investment income	20,469	138,628
Benefit payments, including refunds of employee contributions	(44,699)	(41,387)
Administrative expenses	(1,048)	-
Net change in plan fiduciary net position	10,497	133,070
Plan fiduciary net position, beginning	920,371	787,301
Plan fiduciary net position, ending	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	83.14%	84.63%
Covered payroll **	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	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, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – The discount rate was changed from 7.5 percent (net of administrative expense) in fiscal year 2015 to 7.65 percent in fiscal year 2016.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only two years of information is shown.

** Due to early implementation of GASB Statement No. 82, the City updated covered employee payroll with covered payroll.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans

June 30, 2016*
(Dollars in Thousands)

For the year ended June 30, 2016

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,629
Contributions in relation to the actuarially determined contributions [1]	(496,343)	(33)	(280)	(828)	(2)	(23,629)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll **	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 95,552
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	24.73%

For the year ended June 30, 2015

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1], ***	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [1]	(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%	0.00%	18.93%

[1] Contractually required contributions is an actuarial determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

** Due to early implementation of GASB Statement No. 82, the City updated covered employee payroll with covered payroll.

*** 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.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2016*
(Dollars in Thousands)

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 smoothing method
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 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 administrative expenses)
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) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits

June 30, 2016
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Schedule of Funding Progress – City and County of San Francisco – Other Postemployment Health Care Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/10[1]	$ -	$ 4,420,146	$ (4,420,146)	0.0%	$ 2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%
07/01/14	48,988	4,260,256	(4,211,268)	1.1%	2,618,426	160.8%

(1) As of July 1, 2010, the City set-aside approximately $3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

Schedule of Employer Contributions – City and County of San Francisco – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2014	$ 341,377	48.8%
2015	350,389	47.7%
2016	354,540	47.6%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)

June 30, 2016
(Dollars in Thousands)

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 405	$ 671	$ (266)	60.4%	$ 3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%
06/30/15	1,170	2,042	(872)	57.3%	3,930	22.2%

(1) The actuarial valuation report is conducted once every two years.

Schedule of Employer Contributions – San Francisco County Transportation Authority

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
06/30/14	$ 138,000	$ 138,000	100.0%
06/30/15	138,000	138,000	100.0%
06/30/16	200,700	206,513	102.9%

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 1,856	$ 14,390	$ (12,534)	12.9%	$ 4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%
07/01/15	2,833	10,998	(8,165)	25.8%	4,261	191.6%

(1) The actuarial valuation report is conducted once every two years.

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.

Court's 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.

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

SPECIAL REVENUE FUNDS (Continued)

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 loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse).

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.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

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.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – 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, 2016
(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	$1,065,140	$ 91,214	$ 393,343	$ 6,539	$ 1,556,236
Deposits and investments outside City Treasury	22,504	33,806	25,352	-	81,662
Receivables:					
Property taxes and penalties	6,368	9,309	-	-	15,677
Other local taxes	18,693	-	-	-	18,693
Federal and state grants and subventions	96,539	-	9,386	-	105,925
Charges for services	18,500	-	116	-	18,616
Interest and other	10,187	241	373	7	10,808
Due from other funds	4,931	-	2,535	-	7,466
Due from component unit	1,481	-	36	-	1,517
Advance to component unit	17,496	-	-	-	17,496
Loans receivable (net of allowance for uncollectible amounts)	75,328	-	-	-	75,328
Other assets	6,840	-	-	-	6,840
Total assets	$1,344,007	$ 134,570	$ 431,141	$ 6,546	$ 1,916,264
Liabilities:					
Accounts payable	$ 87,050	$ 47	$ 37,318	$ 58	$ 124,473
Accrued payroll	13,986	-	1,256	-	15,242
Unearned grant and subvention revenue	16,477	-	1,674	-	18,151
Due to other funds	24,592	-	7,505	-	32,097
Unearned revenues and other liabilities	46,432	6,278	2,524	40	55,274
Bonds, loans, capital leases, and other payables	11,479	-	91,299	-	102,778
Total liabilities	200,016	6,325	141,576	98	348,015
Deferred inflows of resources	146,542	7,724	7,671	-	161,937
Fund balances:					
Nonspendable	82	-	-	-	82
Restricted	933,720	120,521	383,267	6,448	1,443,956
Assigned	66,085	-	-	-	66,085
Unassigned	(2,438)	-	(101,373)	-	(103,811)
Total fund balances	997,449	120,521	281,894	6,448	1,406,312
Total liabilities, deferred inflows of resources and fund balances	$1,344,007	$ 134,570	$ 431,141	$ 6,546	$ 1,916,264

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 164,162	$ 241,040	$ -	$ -	$ 405,202
Business taxes	1,840	-	-	-	1,840
Sales and use tax	99,528	-	-	-	99,528
Licenses, permits, and franchises	15,813	-	-	-	15,813
Fines, forfeitures, and penalties	12,324	14,860	-	-	27,184
Interest and investment income	11,510	1,085	1,686	37	14,318
Rents and concessions	88,214	728	181	189	89,312
Intergovernmental:					
Federal	182,660	-	3,065	-	185,725
State	105,859	755	2,802	-	109,416
Other	83,301	-	299	-	83,600
Charges for services	158,689	-	-	-	158,689
Other	231,882	3,754	6,779	16	242,431
Total revenues	1,155,782	262,222	14,812	242	1,433,058
Expenditures:					
Current:					
Public protection	64,334	-	-	-	64,334
Public works, transportation and commerce	279,390	-	-	-	279,390
Human welfare and neighborhood development	398,664	-	-	-	398,664
Community health	110,474	-	-	-	110,474
Culture and recreation	239,164	-	-	1,230	240,394
General administration and finance	53,885	-	-	-	53,885
General City responsibilities	21	-	-	-	21
Debt service:					
Principal retirement	20,390	232,066	-	-	252,456
Interest and other fiscal charges	2,698	116,179	846	-	119,723
Bond issuance costs	375	1,443	5,290	-	7,108
Capital outlay	-	-	223,904	-	223,904
Total expenditures	1,169,395	349,688	230,040	1,230	1,750,353
Excess (deficiency) of revenues over (under) expenditures	(13,613)	(87,466)	(215,228)	(988)	(317,295)
Other financing sources (uses):					
Transfers in	263,805	84,931	22,507	-	371,243
Transfers out	(148,972)	-	(140,481)	(4)	(289,457)
Issuance of bonds and loans:					
Face value of bonds issued	24,000	123,600	448,325	-	595,925
Premium on issuance of bonds	-	10,104	22,741	-	32,845
Payment to refunded bond escrow agent	-	(131,935)	-	-	(131,935)
Other financing sources-capital leases	-	-	1,239	-	1,239
Total other financing sources (uses)	138,833	86,700	354,331	(4)	579,860
Net changes in fund balances	125,220	(766)	139,103	(992)	262,565
Fund balances at beginning of year	872,229	121,287	142,791	7,440	1,143,747
Fund balances at end of year	$ 997,449	$ 120,521	$ 281,894	$ 6,448	$ 1,406,312

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2016
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Assets:						
Deposits and investments with City Treasury	$ 163,071	$ 123,204	$ 389,622	$ 33,773	$ 26,288	$ -
Deposits and investments outside City Treasury	5	-	6,853	2	-	-
Receivables:						
Property taxes and penalties	-	2,420	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	-	5,203	10,861	25,888	-	-
Charges for services	279	-	-	6	4,254	147
Interest and other	165	134	360	31	-	-
Due from other funds	-	1,774	2,978	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	234	-	74,648	-	-	-
Other assets	-	-	64	-	-	-
Total assets	$ 163,754	$ 132,735	$ 485,386	$ 59,700	$ 30,542	$ 147
Liabilities:						
Accounts payable	$ 1,854	$ 20,641	$ 14,501	$ 13,199	$ 2,330	$ 1
Accrued payroll	1,395	603	583	1,320	18	-
Unearned grant and subvention revenues	-	1,577	1,538	4,608	-	-
Due to other funds	-	898	-	324	-	75
Unearned revenues and other liabilities	25,608	1,842	1,041	782	1,427	-
Bonds, loans, capital leases, and other payables	-	-	11,479	-	-	-
Total liabilities	28,857	25,561	29,142	20,233	3,775	76
Deferred inflows of resources	234	4,662	75,691	12,784	1,675	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	134,663	102,512	375,493	26,683	25,092	71
Assigned	-	-	5,060	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	134,663	102,512	380,553	26,683	25,092	71
Total liabilities, deferred inflows of resources and fund balances	$ 163,754	$ 132,735	$ 485,386	$ 59,700	$ 30,542	$ 147

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2016
(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	$ 13,434	$ 876	$ 25,233	$ 22,836	$ 8,756	$ 5,931
Deposits and investments outside City Treasury	516	-	-	-	3	-
Receivables:						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	1,038	1,621	2,078	100	416	-
Charges for services	290	-	376	1,969	685	344
Interest and other	5	-	28	739	1	5
Due from other funds	-	28	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 15,283	$ 2,525	$ 27,715	$ 25,644	$ 9,861	$ 6,280
Liabilities:						
Accounts payable	$ 1,649	$ 402	$ 844	$ 1,579	$ 89	$ 522
Accrued payroll	149	127	743	323	32	167
Unearned grant and subvention revenues	152	823	-	426	527	-
Due to other funds	-	-	-	-	-	-
Unearned revenues and other liabilities	1	-	1	125	-	-
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	1,951	1,352	1,588	2,453	648	689
Deferred inflows of resources	1,037	1,290	-	20	16	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	7,242	-	26,127	11,273	9,197	-
Assigned	5,053	-	-	11,898	-	5,591
Unassigned	-	(117)	-	-	-	-
Total fund balances	12,295	(117)	26,127	23,171	9,197	5,591
Total liabilities, deferred inflows of resources and fund balances	$ 15,283	$ 2,525	$ 27,715	$ 25,644	$ 9,861	$ 6,280

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2016
(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	$ -	$ 52,331	$ 35,218	$ 48,019	$ 34,204	$ 40,532
Deposits and investments outside City Treasury	-	-	1	1	-	-
Receivables:						
Property taxes and penalties	-	-	1,974	1,974	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	6,043	-	-	-	18,169	240
Charges for services	202	374	-	3	3,240	6,133
Interest and other	-	55	34	57	4,120	-
Due from other funds	-	-	-	-	-	55
Due from component unit	-	-	-	-	-	1,154
Advance to component unit	-	14,602	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	446	-	-	-	-
Other assets	70	2,697	406	-	-	3,521
Total assets	$ 6,315	$ 70,505	$ 37,633	$ 50,054	$ 59,733	$ 51,635
Liabilities:						
Accounts payable	$ 2,396	$ 1,545	$ 228	$ 1,994	$ 3,392	$ 2,868
Accrued payroll	51	53	777	2,663	857	2,675
Unearned grant and subvention revenues	7	-	-	-	6,811	-
Due to other funds	2,994	-	-	-	-	465
Unearned revenues and other liabilities	-	5,521	1,519	1,519	18	5,963
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	5,448	7,119	2,524	6,176	11,078	11,971
Deferred inflows of resources	2,874	15,048	1,632	1,632	10,146	4,726
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	48,338	33,477	41,024	35,496	690
Assigned	-	-	-	1,222	3,013	34,248
Unassigned	(2,007)	-	-	-	-	-
Total fund balances	(2,007)	48,338	33,477	42,246	38,509	34,938
Total liabilities, deferred inflows of resources and fund balances	$ 6,315	$ 70,505	$ 37,633	$ 50,054	$ 59,733	$ 51,635

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2016
(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	$ 12,154	$ 22,067	$ -	$ 7,591	$ 1,065,140
Deposits and investments outside City Treasury	-	15,123	-	-	22,504
Receivables:					
Property taxes and penalties	-	-	-	-	6,368
Other local taxes	-	18,693	-	-	18,693
Federal and state grants and subventions	-	24,555	327	-	96,539
Charges for services	176	-	-	22	18,500
Interest and other	-	4,442	-	11	10,187
Due from other funds	-	96	-	-	4,931
Due from component unit	-	327	-	-	1,481
Advance to component unit	-	2,894	-	-	17,496
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	75,328
Other assets	-	82	-	-	6,840
Total assets	$ 12,330	$ 88,279	$ 327	$ 7,624	$ 1,344,007
Liabilities:					
Accounts payable	$ 1,394	$ 15,226	$ 224	$ 172	$ 87,050
Accrued payroll	999	168	-	283	13,986
Unearned grant and subvention revenues	-	-	8	-	16,477
Due to other funds	-	19,741	95	-	24,592
Unearned revenues and other liabilities	810	-	-	255	46,432
Bonds, loans, capital leases, and other payables	-	-	-	-	11,479
Total liabilities	3,203	35,135	327	710	200,016
Deferred inflows of resources	-	12,761	314	-	146,542
Fund balances:					
Nonspendable	-	82	-	-	82
Restricted	9,127	40,301	-	6,914	933,720
Assigned	-	-	-	-	66,085
Unassigned	-	-	(314)	-	(2,438)
Total fund balances	9,127	40,383	(314)	6,914	997,449
Total liabilities, deferred inflows of resources and fund balances	$ 12,330	$ 88,279	$ 327	$ 7,624	$ 1,344,007

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, 2016
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes	$ -	$ 64,454	$ -	$ -	$ -	$ -
Business taxes	-	-	1,840	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	6,633	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	215	2,481	-	44
Interest and investment income	821	690	5,334	402	140	7
Rents and concessions	-	-	277	-	25,659	-
Intergovernmental:						
Federal	-	9,763	38,104	56,082	-	-
State	105	18,872	7,061	34,616	-	-
Other	-	-	2,966	-	-	-
Charges for services	78,138	-	16,719	4,184	-	2,477
Other	7	766	202,930	440	217	-
Total revenues	85,704	94,545	275,446	98,205	26,016	2,528
Expenditures:						
Current:						
Public protection	-	-	-	-	-	373
Public works, transportation and commerce	60,507	-	9,417	75	104	-
Human welfare and neighborhood development	-	183,004	139,388	-	152	-
Community health	-	-	-	104,163	-	-
Culture and recreation	-	-	280	-	46,632	-
General administration and finance	-	-	2,518	-	-	-
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	665	-	-	-
Bond issuance costs	-	-	375	-	-	-
Total expenditures	60,507	183,004	152,643	104,238	46,888	373
Excess (deficiency) of revenues over (under) expenditures	25,197	(88,459)	122,803	(6,033)	(20,872)	2,155
Other financing sources (uses):						
Transfers in	-	96,329	677	-	42,777	212
Transfers out	(46)	(6)	(3,845)	(352)	(24,590)	(2,346)
Issuance of bonds and loans						
Face value of bonds issued	-	-	24,000	-	-	-
Total other financing sources (uses)	(46)	96,323	20,832	(352)	18,187	(2,134)
Net changes in fund balances	25,151	7,864	143,635	(6,385)	(2,685)	21
Fund balances at beginning of year	109,512	94,648	236,918	33,068	27,777	50
Fund balances at end of year	$ 134,663	$ 102,512	$ 380,553	$ 26,683	$ 25,092	$ 71

(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, 2016
(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	-	-	-	-	-	-
Licenses, permits, and franchises	196	-	-	2,808	-	-
Fines, forfeitures, and penalties	6	-	-	-	612	-
Interest and investment income	79	1	138	56	681	26
Rents and concessions	411	-	-	1,458	-	3,656
Intergovernmental:						
Federal	133	150	-	420	-	-
State	121	6,549	23,041	549	-	-
Other	-	96	-	-	-	-
Charges for services	8,079	-	666	2,035	48	6,779
Other	2,139	21	-	964	5,011	-
Total revenues	11,164	6,817	23,845	8,290	6,352	10,461
Expenditures:						
Current:						
Public protection	-	-	-	229	202	-
Public works, transportation and commerce	1,007	-	23,752	7	1,841	-
Human welfare and neighborhood development	780	7,309	-	-	117	-
Community health	-	-	-	-	6,311	-
Culture and recreation	11,866	-	-	1,294	2,193	13,852
General administration and finance	13,768	82	-	5,527	98	-
General City responsibilities	-	-	-	21	-	-
Debt service:						
Principal retirement	390	-	-	-	-	-
Interest and other fiscal charges	1,069	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	28,880	7,391	23,752	7,078	10,762	13,852
Excess (deficiency) of revenues over (under) expenditures	(17,716)	(574)	93	1,212	(4,410)	(3,391)
Other financing sources (uses):						
Transfers in	19,128	150	-	2,606	25	5,942
Transfers out	(189)	(666)	-	-	(65)	(1,268)
Issuance of bonds and loans						
Face value of bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	18,939	(516)	-	2,606	(40)	4,674
Net changes in fund balances	1,223	(1,090)	93	3,818	(4,450)	1,283
Fund balances at beginning of year	11,072	973	26,034	19,353	13,647	4,308
Fund balances at end of year	$ 12,295	$ (117)	$ 26,127	$ 23,171	$ 9,197	$ 5,591

(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, 2016
(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	$ -	$ -	$ 49,854	$ 49,854	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	303	-	-	-	511	-
Fines, forfeitures, and penalties	17	-	-	-	8,720	229
Interest and investment income	-	1,901	88	200	171	304
Rents and concessions	-	6,528	-	-	-	109
Intergovernmental:						
Federal	19,559	-	-	-	39,157	-
State	294	-	167	240	11,931	53
Other	46	710	-	-	20	704
Charges for services	359	-	-	753	16,006	21,300
Other	-	18,771	-	-	87	420
Total revenues	20,578	27,910	50,109	51,047	76,603	23,119
Expenditures:						
Current:						
Public protection	-	-	-	-	63,530	-
Public works, transportation and commerce	-	-	769	472	-	18,024
Human welfare and neighborhood development	26,946	20,828	-	-	3,152	11,222
Community health	-	-	-	-	-	-
Culture and recreation	-	-	42,295	106,308	-	-
General administration and finance	-	-	49	2	3,283	47
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	25	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	26,946	20,828	43,138	106,782	69,965	29,293
Excess (deficiency) of revenues over (under) expenditures	(6,368)	7,082	6,971	(55,735)	6,638	(6,174)
Other financing sources (uses):						
Transfers in	3,505	-	1,268	70,805	301	1,148
Transfers out	-	-	-	(5,200)	(1,965)	(318)
Issuance of bonds and loans						
Face value of bonds issued	-	-	-	-	-	-
Total other financing sources (uses)	3,505	-	1,268	65,605	(1,664)	830
Net changes in fund balances	(2,863)	7,082	8,239	9,870	4,974	(5,344)
Fund balances at beginning of year	856	41,256	25,238	32,376	33,535	40,282
Fund balances at end of year	$ (2,007)	$ 48,338	$ 33,477	$ 42,246	$ 38,509	$ 34,938

(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, 2016
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 164,162
Business taxes	-	-	-	-	1,840
Sales and use tax	-	99,528	-	-	99,528
Licenses, permits, and franchises	-	5,362	-	-	15,813
Fines, forfeitures, and penalties	-	-	-	-	12,324
Interest and investment income	-	383	-	88	11,510
Rents and concessions	47,271	-	-	2,845	88,214
Intergovernmental:					
Federal	-	14,276	5,016	-	182,660
State	-	1,509	751	-	105,859
Other	452	78,307	-	-	83,301
Charges for services	738	-	-	408	158,689
Other	-	85	24	-	231,882
Total revenues	48,461	199,450	5,791	3,341	1,155,782
Expenditures:					
Current:					
Public protection	-	-	-	-	64,334
Public works, transportation and commerce	366	158,069	-	4,980	279,390
Human welfare and neighborhood development	-	-	5,766	-	398,664
Community health	-	-	-	-	110,474
Culture and recreation	-	-	-	14,444	239,164
General administration and finance	28,511	-	-	-	53,885
General City responsibilities	-	-	-	-	21
Debt service:					
Principal retirement	-	20,000	-	-	20,390
Interest and other fiscal charges	-	794	-	145	2,698
Bond issuance costs	-	-	-	-	375
Total expenditures	28,877	178,863	5,766	19,569	1,169,395
Excess (deficiency) of revenues over (under) expenditures	19,584	20,587	25	(16,228)	(13,613)
Other financing sources (uses):					
Transfers in	17	-	9	18,906	263,805
Transfers out	(12,231)	(88,215)	-	(7,670)	(148,972)
Issuance of bonds and loans					
Face value of bonds issued	-	-	-	-	24,000
Total other financing sources (uses)	(12,214)	(88,215)	9	11,236	138,833
Net changes in fund balances	7,370	(67,628)	34	(4,992)	125,220
Fund balances at beginning of year	1,757	108,011	(348)	11,906	872,229
Fund balances at end of year	$ 9,127	$ 40,383	$ (314)	$ 6,914	$ 997,449

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2016
(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	$ -	$ -	$ -	$ -	$ 59,920	$ 59,920	$ 64,454	$ 4,534
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,696	6,696	6,633	(63)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	559	559	823	264	329	319	720	401
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	11,281	10,151	9,946	(205)
State	-	-	105	105	12,825	18,562	15,110	(3,452)
Other	-	-	-	-	-	-	-	-
Charges for services	54,217	54,217	78,138	23,921	-	-	-	-
Other	-	-	7	7	165	766	766	-
Total revenues	61,472	61,472	85,706	24,234	84,520	89,718	90,996	1,278
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	70,168	65,792	60,507	5,285	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	195,108	183,004	183,004	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	70,168	65,792	60,507	5,285	195,108	183,004	183,004	-
Excess (deficiency) of revenues over (under) expenditures	(8,696)	(4,320)	25,199	29,519	(110,588)	(93,286)	(92,008)	1,278
Other financing sources (uses):								
Transfers in	-	-	-	-	95,110	96,329	96,329	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	(1,750)	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,750)	-	-	-	95,110	96,329	96,329	-
Net changes in fund balances	(10,446)	(4,320)	25,199	29,519	(15,478)	3,043	4,321	1,278
Budgetary fund balances, July 1	10,446	109,411	109,411	-	15,478	100,796	100,796	-
Budgetary fund balances, June 30	$ -	$ 105,091	$ 134,610	$ 29,519	$ -	$ 103,839	$ 105,117	$ 1,278

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	1,900	1,900	1,840	(60)	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	215	215	2,613	2,721	2,481	(240)
Interest and investment income	9	4,803	5,335	532	218	435	374	(61)
Rents and concessions	-	277	277	-	-	-	-	-
Intergovernmental:								
Federal	6,152	38,221	38,221	-	67,126	58,646	58,646	-
State	885	6,386	6,386	-	39,881	35,506	35,506	-
Other	8,300	3,015	3,015	-	-	-	-	-
Charges for services	6,811	9,441	16,719	7,278	130	4,012	4,184	172
Other	16,614	192,932	202,930	9,998	441	440	440	-
Total revenues	40,671	256,975	274,938	17,963	110,409	101,760	101,631	(129)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	12,177	9,417	9,417	-	-	75	75	-
Human welfare and neighborhood development	44,195	139,339	138,938	401	-	-	-	-
Community health	-	-	-	-	110,409	104,163	104,163	-
Culture and recreation	6,637	280	280	-	-	-	-	-
General administration and finance	5,909	2,518	2,518	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	665	665	-	-	-	-	-
Bond issuance costs	3,125	375	375	-	-	-	-	-
Total expenditures	72,043	152,594	152,193	401	110,409	104,238	104,238	-
Excess (deficiency) of revenues over (under) expenditures	(31,372)	104,381	122,745	18,364	-	(2,478)	(2,607)	(129)
Other financing sources (uses):								
Transfers in	1	677	677	-	-	-	-	-
Transfers out	(10)	(3,780)	(3,780)	-	-	(311)	(311)	-
Issuance of commercial paper	-	8,411	8,411	-	-	-	-	-
Issuance of bonds	28,125	24,000	24,000	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	28,116	29,308	29,308	-	-	(311)	(311)	-
Net changes in fund balances	(3,256)	133,689	152,053	18,364	-	(2,789)	(2,918)	(129)
Budgetary fund balances, July 1	3,256	245,807	245,807	-	-	42,380	42,380	-
Budgetary fund balances, June 30	$ -	$ 379,496	$ 397,860	$ 18,364	$ -	$ 39,591	$ 39,462	$ (129)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(In Thousands)

	Convention Facilities Fund				Court's 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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	33	33	44	11
Interest and investment income	-	-	20	20	-	-	5	5
Rents and concessions	24,805	24,805	27,334	2,529	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,525	2,524	2,477	(47)
Other	150	252	217	(35)	-	-	-	-
Total revenues	24,955	25,057	27,571	2,514	2,558	2,557	2,526	(31)
Expenditures:								
Current:								
Public protection	-	-	-	-	2,770	425	373	52
Public works, transportation and commerce	-	104	104	-	-	-	-	-
Human welfare and neighborhood development	-	152	152	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	80,201	49,634	46,632	3,002	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	506	506	506	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	80,707	50,396	47,394	3,002	2,770	425	373	52
Excess (deficiency) of revenues over (under) expenditures	(55,752)	(25,339)	(19,823)	5,516	(212)	2,132	2,153	21
Other financing sources (uses):								
Transfers in	42,777	42,777	42,777	-	212	212	212	-
Transfers out	-	(23,964)	(23,964)	-	-	(2,344)	(2,344)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	42,777	18,813	18,813	-	212	(2,132)	(2,132)	-
Net changes in fund balances	(12,975)	(6,526)	(1,010)	5,516	-	-	21	21
Budgetary fund balances, July 1	12,975	32,543	32,543	-	-	59	59	-
Budgetary fund balances, June 30	$ -	$ 26,017	$ 31,533	$ 5,516	$ -	$ 59	$ 80	$ 21

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	268	268	196	(72)	-	-	-	-
Fines, forfeitures, and penalties	-	-	6	6	-	-	-	-
Interest and investment income	25	25	23	(2)	-	-	-	-
Rents and concessions	377	377	411	34	-	-	-	-
Intergovernmental:								
Federal	-	133	133	-	-	458	458	-
State	-	1,131	1,131	-	773	7,454	7,454	-
Other	-	-	-	-	824	108	108	-
Charges for services	7,154	8,033	8,084	51	238	238	-	(238)
Other	1,252	3,499	2,139	(1,360)	1,787	1,798	19	(1,779)
Total revenues	9,076	13,466	12,123	(1,343)	3,622	10,056	8,039	(2,017)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	1,050	1,007	1,007	-	-	-	-	-
Human welfare and neighborhood development	-	780	780	-	3,702	8,974	7,309	1,665
Community health	-	-	-	-	-	-	-	-
Culture and recreation	11,374	11,978	11,866	112	-	-	-	-
General administration and finance	13,345	13,768	13,768	-	-	82	82	-
Debt service:								
Principal retirement	676	390	390	-	-	-	-	-
Interest and other fiscal charges	1,049	1,385	1,353	32	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	27,494	29,308	29,164	144	3,702	9,056	7,391	1,665
Excess (deficiency) of revenues over (under) expenditures	(18,418)	(15,842)	(17,041)	(1,199)	(80)	1,000	648	(352)
Other financing sources (uses):								
Transfers in	18,048	19,128	19,128	-	80	150	150	-
Transfers out	(55)	(131)	(131)	-	-	(665)	(665)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	(170)	-	-	-	-	-	-	-
Total other financing sources (uses)	17,823	18,997	18,997	-	80	(515)	(515)	-
Net changes in fund balances	(595)	3,155	1,956	(1,199)	-	485	133	(352)
Budgetary fund balances, July 1	595	15,457	15,457	-	-	1,039	1,039	-
Budgetary fund balances, June 30	$ -	$ 18,612	$ 17,413	$ (1,199)	$ -	$ 1,524	$ 1,172	$ (352)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	3,091	3,091	2,808	(283)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	42	147	105	45	45	60	15
Rents and concessions	-	-	-	-	-	1,458	1,458	-
Intergovernmental:								
Federal	-	-	-	-	140	322	322	-
State	21,794	21,795	23,041	1,246	460	549	549	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	800	666	(134)	1,832	1,875	2,035	160
Other	-	-	-	-	1,441	964	964	-
Total revenues	22,636	22,637	23,854	1,217	7,009	8,304	8,196	(108)
Expenditures:								
Current:								
Public protection	-	-	-	-	280	229	229	-
Public works, transportation and commerce	22,636	23,858	23,752	106	-	7	7	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,294	1,294	-
General administration and finance	-	-	-	-	6,888	5,527	5,527	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	22,636	23,858	23,752	106	7,168	7,057	7,057	-
Excess (deficiency) of revenues over (under) expenditures	-	(1,221)	102	1,323	(159)	1,247	1,139	(108)
Other financing sources (uses):								
Transfers in	-	-	-	-	159	2,585	2,585	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	159	2,585	2,585	-
Net changes in fund balances	-	(1,221)	102	1,323	-	3,832	3,724	(108)
Budgetary fund balances, July 1	-	26,018	26,018	-	-	19,473	19,473	-
Budgetary fund balances, June 30	$ -	$ 24,797	$ 26,120	$ 1,323	$ -	$ 23,305	$ 23,197	$ (108)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	376	612	236	-	-	-	-
Interest and investment income	-	44	616	572	20	20	27	7
Rents and concessions	-	-	-	-	3,276	3,276	3,656	380
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	48	48	-	6,931	6,931	6,779	(152)
Other	2,875	5,809	5,027	(782)	-	-	-	-
Total revenues	2,875	6,277	6,303	26	10,227	10,227	10,462	235
Expenditures:								
Current:								
Public protection	500	202	202	-	-	-	-	-
Public works, transportation and commerce	-	1,841	1,841	-	-	-	-	-
Human welfare and neighborhood development	546	117	117	-	-	-	-	-
Community health	-	6,311	6,311	-	-	-	-	-
Culture and recreation	1,829	2,193	2,193	-	14,901	14,785	13,852	933
General administration and finance	-	98	98	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	2,875	10,762	10,762	-	14,901	14,785	13,852	933
Excess (deficiency) of revenues over (under) expenditures	-	(4,485)	(4,459)	26	(4,674)	(4,558)	(3,390)	1,168
Other financing sources (uses):								
Transfers in	-	25	25	-	5,942	5,942	5,942	-
Transfers out	-	-	-	-	(1,268)	(1,268)	(1,268)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	25	25	-	4,674	4,674	4,674	-
Net changes in fund balances	-	(4,460)	(4,434)	26	-	116	1,284	1,168
Budgetary fund balances, July 1	-	13,634	13,634	-	-	4,309	4,309	-
Budgetary fund balances, June 30	$ -	$ 9,174	$ 9,200	$ 26	$ -	$ 4,425	$ 5,593	$ 1,168

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	240	240	303	63	-	-	-	-
Fines, forfeitures, and penalties	-	-	17	17	-	-	-	-
Interest and investment income	-	-	-	-	-	1,912	1,912	-
Rents and concessions	-	-	-	-	7,500	7,500	5,342	(2,158)
Intergovernmental:								
Federal	34,770	22,218	22,218	-	-	-	-	-
State	139	310	310	-	-	-	-	-
Other	100	44	44	-	1,772	710	710	-
Charges for services	161	337	359	22	-	-	-	-
Other	551	-	-	-	-	18,776	20,199	1,423
Total revenues	35,961	23,149	23,251	102	9,272	28,898	28,163	(735)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	39,501	26,936	26,923	13	9,272	20,784	20,784	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	39,501	26,936	26,923	13	9,272	20,784	20,784	-
Excess (deficiency) of revenues over (under) expenditures	(3,540)	(3,787)	(3,672)	115	-	8,114	7,379	(735)
Other financing sources (uses):								
Transfers in	3,481	3,481	3,481	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,481	3,481	3,481	-	-	-	-	-
Net changes in fund balances	(59)	(306)	(191)	115	-	8,114	7,379	(735)
Budgetary fund balances, July 1	59	1,055	1,055	-	-	43,320	43,320	-
Budgetary fund balances, June 30	$ -	$ 749	$ 864	$ 115	$ -	$ 51,434	$ 50,699	$ (735)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	$ 46,092	$ 46,092	$ 49,854	$ 3,762	$ 46,092	$ 46,092	$ 49,854	$ 3,762
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	320	320	100	(220)	222	222	194	(28)
Rents and concessions	-	-	-	-	1,755	1,755	-	(1,755)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	170	170	167	(3)	220	239	240	1
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	750	751	753	2
Other	-	-	-	-	-	-	-	-
Total revenues	46,582	46,582	50,121	3,539	49,039	49,059	51,041	1,982
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	769	769	-	-	472	472	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	47,855	44,987	42,295	2,692	109,073	108,629	106,308	2,321
General administration and finance	-	49	49	-	-	2	2	-
Debt service:								
Principal retirement	-	3,064	3,064	-	-	-	-	-
Interest and other fiscal charges	-	25	25	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	47,855	48,894	46,202	2,692	109,073	109,103	106,782	2,321
Excess (deficiency) of revenues over (under) expenditures	(1,273)	(2,312)	3,919	6,231	(60,034)	(60,044)	(55,741)	4,303
Other financing sources (uses):								
Transfers in	1,268	1,268	1,268	-	67,600	70,805	70,805	-
Transfers out	-	-	-	-	-	(5,180)	(5,180)	-
Issuance of commercial paper	-	14	14	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(7,566)	-	-	-
Total other financing sources (uses)	1,268	1,282	1,282	-	60,034	65,625	65,625	-
Net changes in fund balances	(5)	(1,030)	5,201	6,231	-	5,581	9,884	4,303
Budgetary fund balances, July 1	5	28,263	28,263	-	-	35,111	35,111	-
Budgetary fund balances, June 30	$ -	$ 27,233	$ 33,464	$ 6,231	$ -	$ 40,692	$ 44,995	$ 4,303

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	501	501	511	10	-	-	-	-
Fines, forfeitures, and penalties	2,201	2,201	12,720	10,519	-	-	275	275
Interest and investment income	24	45	78	33	-	-	-	-
Rents and concessions	-	-	-	-	-	-	109	109
Intergovernmental:								
Federal	30,910	38,688	38,688	-	-	-	-	-
State	13,943	12,047	12,047	-	-	-	53	53
Other	15	20	20	-	139	2,074	2,074	-
Charges for services	1,953	16,438	16,336	(102)	13,041	25,874	21,160	(4,714)
Other	2	92	92	-	637	2,397	732	(1,665)
Total revenues	49,549	70,032	80,492	10,460	13,817	30,345	24,403	(5,942)
Expenditures:								
Current:								
Public protection	46,230	63,530	63,530	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	1,970	18,024	18,024	-
Human welfare and neighborhood development	3,402	3,152	3,152	-	11,708	11,257	11,222	35
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	4,522	3,283	3,283	-	139	47	47	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	54,154	69,965	69,965	-	13,817	29,328	29,293	35
Excess (deficiency) of revenues over (under) expenditures	(4,605)	67	10,527	10,460	-	1,017	(4,890)	(5,907)
Other financing sources (uses):								
Transfers in	-	301	301	-	-	1,148	1,148	-
Transfers out	(1,898)	(1,866)	(1,866)	-	-	(14)	(14)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,898)	(1,565)	(1,565)	-	-	1,134	1,134	-
Net changes in fund balances	(6,503)	(1,498)	8,962	10,460	-	2,151	(3,756)	(5,907)
Budgetary fund balances, July 1	6,503	40,261	40,261	-	-	41,786	41,786	-
Budgetary fund balances, June 30	$ -	$ 38,763	$ 49,223	$ 10,460	$ -	$ 43,937	$ 38,030	$ (5,907)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	101,293	101,293	99,528	(1,765)
Licenses, permits, and franchises	-	-	-	-	4,777	4,777	5,362	585
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	335	335	383	48
Rents and concessions	7,203	49,580	47,271	(2,309)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	25,778	24,555	14,276	(10,279)
State	-	-	-	-	3,010	2,705	1,509	(1,196)
Other	453	453	452	(1)	76,676	77,454	78,307	853
Charges for services	1,175	1,179	738	(441)	-	-	-	-
Other	206	206	-	(206)	2,916	49	85	36
Total revenues	9,037	51,418	48,461	(2,957)	214,785	211,168	199,450	(11,718)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	664	366	298	251,321	275,469	246,284	29,185
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	12,162	32,463	28,499	3,964	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	20,000	20,000	20,000	-
Interest and other fiscal charges	-	-	-	-	1,760	960	794	166
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	12,162	33,127	28,865	4,262	273,081	296,429	267,078	29,351
Excess (deficiency) of revenues over (under) expenditures	(3,125)	18,291	19,596	1,305	(58,296)	(85,261)	(67,628)	17,633
Other financing sources (uses):								
Transfers in	-	5	5	-	-	-	-	-
Transfers out	-	(12,231)	(12,231)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(12,226)	(12,226)	-	-	-	-	-
Net changes in fund balances	(3,125)	6,065	7,370	1,305	(58,296)	(85,261)	(67,628)	17,633
Budgetary fund balances, July 1	3,125	1,340	1,340	-	108,011	108,011	108,011	-
Budgetary fund balances, June 30	$ -	$ 7,405	$ 8,710	$ 1,305	$ 49,715	$ 22,750	$ 40,383	$ 17,633

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	51	82	31
Rents and concessions	-	-	-	-	2,253	2,710	2,845	135
Intergovernmental:								
Federal	4,745	4,914	4,914	-	-	-	-	-
State	1,623	819	819	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	272	330	408	78
Other	-	24	24	-	-	-	-	-
Total revenues	6,368	5,757	5,757	-	2,525	3,091	3,335	244
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	4,980	4,980	-
Human welfare and neighborhood development	6,368	5,757	5,757	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	14,824	15,024	14,444	580
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	8,052	247	-	247
Interest and other fiscal charges	-	-	-	-	-	145	145	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	6,368	5,757	5,757	-	22,876	20,396	19,569	827
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(20,351)	(17,305)	(16,234)	1,071
Other financing sources (uses):								
Transfers in	-	-	-	-	19,153	19,153	18,906	(247)
Transfers out	-	-	-	-	-	(7,659)	(7,659)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	19,153	11,494	11,247	(247)
Net changes in fund balances	-	-	-	-	(1,198)	(5,811)	(4,987)	824
Budgetary fund balances, July 1	-	2	2	-	1,198	11,861	11,861	-
Budgetary fund balances, June 30	$ -	$ 2	$ 2	$ -	$ -	$ 6,050	$ 6,874	$ 824

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2016
(In Thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 152,104	$ 152,104	$ 164,162	$ 12,058
Business taxes	1,900	1,900	1,840	(60)
Sales and use tax	101,293	101,293	99,528	(1,765)
Licenses, permits, and franchises	15,573	15,573	15,813	240
Fines, forfeitures, and penalties	4,847	5,331	16,370	11,039
Interest and investment income	2,148	9,177	10,899	1,722
Rents and concessions	47,169	91,738	88,703	(3,035)
Intergovernmental:				
Federal	180,902	198,306	187,822	(10,484)
State	95,723	107,673	104,427	(3,246)
Other	88,279	83,878	84,730	852
Charges for services	97,990	133,028	158,884	25,856
Other	29,037	228,004	233,641	5,637
Total revenues	816,965	1,128,005	1,166,819	38,814
Expenditures:				
Current:				
Public protection	49,780	64,386	64,334	52
Public works, transportation and commerce	359,322	402,479	367,605	34,874
Human welfare and neighborhood development	313,802	400,252	398,138	2,114
Community health	110,409	110,474	110,474	-
Culture and recreation	286,694	248,804	239,164	9,640
General administration and finance	42,965	57,837	53,873	3,964
Debt service:				
Principal retirement	29,234	24,207	23,960	247
Interest and other fiscal charges	2,809	3,180	2,982	198
Bond issuance costs	3,125	375	375	-
Total expenditures	1,198,140	1,311,994	1,260,905	51,089
Excess (deficiency) of revenues over (under) expenditures	(381,175)	(183,989)	(94,086)	89,903
Other financing sources (uses):				
Transfers in	253,831	263,986	263,739	(247)
Transfers out	(3,231)	(59,413)	(59,413)	-
Issuance of commercial paper	-	8,425	8,425	-
Issuance of bonds	28,125	24,000	24,000	-
Budget reserves and designations	(9,486)	-	-	-
Total other financing sources (uses)	269,239	236,998	236,751	(247)
Net changes in fund balances	(111,936)	53,009	142,665	89,656
Budgetary fund balances, July 1	161,651	921,936	921,936	-
Budgetary fund balances, June 30	$ 49,715	$ 974,945	$ 1,064,601	$ 89,656

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 70,168	$ 64,891	$ 59,606	$ 5,285
Public Utilities Commission	-	410	410	-
Public Works	-	491	491	-
Total Building Inspection Fund	70,168	65,792	60,507	5,285
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	12,880	12,568	12,568	-
Children and Families Commission	11,902	9,495	9,495	-
Human Services	40,977	29,977	29,977	-
Mayor's Office	129,349	130,964	130,964	-
Total Children and Families Fund	195,108	183,004	183,004	-
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	6,077	7,211	7,211	-
Municipal Transportation Agency	-	2	2	-
Public Works	6,100	2,204	2,204	-
	12,177	9,417	9,417	-
Human Welfare and Neighborhood Development				
Human Services	2,757	2,579	2,579	-
Mayor's Office	34,496	129,772	129,772	-
Rent Arbitration Board	6,942	6,988	6,587	401
	44,195	139,339	138,938	401
Culture and Recreation				
Arts Commission	20	18	18	-
Recreation and Park Commission	6,617	262	262	-
	6,637	280	280	-
General Administration and Finance				
Administrative Services	2,780	1,022	1,022	-
City Planning	3,129	1,496	1,496	-
	5,909	2,518	2,518	-
Total Community / Neighborhood Development Fund	68,918	151,554	151,153	401
COMMUNITY HEALTH SERVICES FUND				
Public Works, Transportation and Commerce				
Public Works	-	75	75	-
Community Health				
Community Health Network	110,409	104,163	104,163	-
Total Community Health Services Fund	110,409	104,238	104,238	-
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	78	78	-
Public Works	-	26	26	-
	-	104	104	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	152	152	-
Culture and Recreation				
Arts Commission	-	1	1	-
Administrative Services	80,201	49,633	46,631	3,002
	80,201	49,634	46,632	3,002
Total Convention Facilities Fund	80,201	49,890	46,888	3,002

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	2,770	425	373	52
Total Court's Fund	2,770	425	373	52
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	1,050	999	999	-
Public Works	-	8	8	-
	1,050	1,007	1,007	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	780	780	-
Culture and Recreation				
Arts Commission	4,329	4,831	4,831	-
Asian Art Museum	686	463	463	-
Fine Arts Museums	2,304	3,013	3,013	-
Recreation and Park Commission	4,055	3,671	3,559	112
	11,374	11,978	11,866	112
General Administration and Finance				
City Planning	-	250	250	-
Administrative Services	13,345	13,518	13,518	-
	13,345	13,768	13,768	-
Total Culture and Recreation Fund	25,769	27,533	27,421	112
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	3,702	8,974	7,309	1,665
General Administration and Finance				
City Planning	-	82	82	-
Total Environmental Protection Fund	3,702	9,056	7,391	1,665
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	311	311	-
Public Utilities Commission	-	1,699	1,699	-
Public Works	22,636	21,848	21,742	106
Total Gasoline Tax Fund	22,636	23,858	23,752	106
GENERAL SERVICES FUND				
Public Protection				
District Attorney	-	29	29	-
Trial Courts	280	200	200	-
	280	229	229	-
Public Works, Transportation and Commerce				
Public Works	-	7	7	-
Culture and Recreation				
Fine Arts Museum	-	1,294	1,294	-
General Administration and Finance				
Administrative Services	493	511	511	-
Assessor/Recorder	1,820	1,805	1,805	-
Board of Supervisors	18	15	15	-
Elections	-	20	20	-
Human Resources	-	22	22	-
Mayor's Office	215	168	168	-
Telecommunications and Information Services	3,275	2,645	2,645	-
Treasurer/Tax Collector	1,067	341	341	-
	6,888	5,527	5,527	-
Total General Services Fund	7,168	7,057	7,057	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney	-	2	2	-
Fire Department	-	191	191	-
Police Department	500	9	9	-
	500	202	202	-
Public Works, Transportation and Commerce				
Public Works	-	1,841	1,841	-
	-	1,841	1,841	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	18	18	-
Social Services	484	56	56	-
Children; Youth & Their Families	40	40	40	-
Commission on Status of Women	22	3	3	-
	546	117	117	-
Community Health				
Community Health Network	-	6,311	6,311	-
Culture and Recreation				
Arts Commission	-	92	92	-
Fine Arts Museums	-	1,631	1,631	-
Public Library	10	100	100	-
Recreation and Park Commission	471	370	370	-
War Memorial	1,348	-	-	-
	1,829	2,193	2,193	-
General Administration and Finance				
Administrative Services	-	96	96	-
Telecommunications and Information Services	-	2	2	-
	-	98	98	-
Total Gift and Other Expendable Trusts Fund	2,875	10,762	10,762	-
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	14,901	14,785	13,852	933
Total Golf Fund	14,901	14,785	13,852	933
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	299	316	303	13
Social Services	39,202	26,620	26,620	-
Total Human Welfare Fund	39,501	26,936	26,923	13
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	9,272	20,784	20,784	-
Total Low and Moderate Income Housing Asset Fund	9,272	20,784	20,784	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Works	-	769	769	-
Culture and Recreation				
Arts Commission	-	1	1	-
Recreation and Park Commission	47,855	44,986	42,294	2,692
	47,855	44,987	42,295	2,692
General Administration and Finance				
City Planning	-	49	49	-
Total Open Space and Park Fund	47,855	45,805	43,113	2,692
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	27	27	-
Public Works	-	445	445	-
	-	472	472	-
Culture and Recreation				
Arts Commission	-	1	1	-
Public Library	109,073	108,628	106,307	2,321
	109,073	108,629	106,308	2,321
General Administration and Finance				
City Attorney	-	2	2	-
Total Public Library Fund	109,073	109,103	106,782	2,321
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	3,798	2,474	2,474	-
District Attorney	4,826	5,746	5,746	-
Emergency Communications Department	24,932	23,751	23,751	-
Fire Department	-	6,351	6,351	-
Juvenile Probation	2,121	1,033	1,033	-
Mayor's Office	-	5	5	-
Police Commission	6,085	21,213	21,213	-
Public Defender	225	409	409	-
Sheriff	4,243	2,548	2,548	-
	46,230	63,530	63,530	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,402	3,100	3,100	-
Commission on Status of Women	-	52	52	-
	3,402	3,152	3,152	-
General Administration and Finance				
Administrative Services	-	5	5	-
City Attorney	4,522	3,278	3,278	-
	4,522	3,283	3,283	-
Total Public Protection Fund	54,154	69,965	69,965	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	1,970	18,024	18,024	-
Human Welfare and Neighborhood Development				
Mayor's Office	11,708	11,257	11,222	35
General Administration and Finance				
City Planning	139	47	47	-
Total Public Works, Transportation and Commerce Fund	13,817	29,328	29,293	35
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	361	361	-
Public Works	-	303	5	298
	-	664	366	298
General Administration and Finance				
Administrative Services	12,162	32,463	28,499	3,964
Total Real Property Fund	12,162	33,127	28,865	4,262
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	251,321	275,469	246,284	29,185
Total SF County Transportation Authority Fund	251,321	275,469	246,284	29,185
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	6,368	5,757	5,757	-
Total Senior Citizens' Program Fund	6,368	5,757	5,757	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	14,824	15,024	14,444	580
Public Works, Transportation and Commerce				
Public Utilities Commission	-	88	88	-
Public Works	-	4,892	4,892	-
	-	4,980	4,980	-
Total War Memorial Fund	14,824	20,004	19,424	580
Total Special Revenue Funds With Legally Adopted Budgets	$1,162,972	$ 1,284,232	$1,233,588	$ 50,644

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2016
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 91,211	$ -	$ 3	$ 91,214
Deposits and investments outside City Treasury	-	33,806	-	33,806
Receivables:				
Property taxes and penalties	9,309	-	-	9,309
Interest and other	236	5	-	241
Total assets	$ 100,756	$ 33,811	$ 3	$ 134,570
Liabilities:				
Accounts payable	$ -	$ 44	$ 3	$ 47
Unearned revenues and other liabilities	6,278	-	-	6,278
Total liabilities	6,278	44	3	6,325
Deferred inflows of resources	7,724	-	-	7,724
Fund balances:				
Restricted	86,754	33,767	-	120,521
Total liabilities, deferred inflows of resources and fund balances	$ 100,756	$ 33,811	$ 3	$ 134,570

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, 2016
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 241,040	$ -	$ -	$ 241,040
Fines, forfeitures, and penalties	14,860	-	-	14,860
Interest and investment income	925	160	-	1,085
Rents and concessions	-	728	-	728
Intergovernmental				
State	755	-	-	755
Other	3,754	-	-	3,754
Total revenues	261,334	888	-	262,222
Expenditures:				
Debt service:				
Principal retirement	191,928	39,750	388	232,066
Interest and other fiscal charges	90,649	25,253	277	116,179
Bond issuance costs	74	1,369	-	1,443
Total expenditures	282,651	66,372	665	349,688
Deficiency of revenues under expenditures	(21,317)	(65,484)	(665)	(87,466)
Other financing sources (uses):				
Transfers in	16,779	67,487	665	84,931
Issuance of bonds and loans:				
Face value of bonds issued	-	123,600	-	123,600
Premium on issuance of bonds	-	10,104	-	10,104
Payment to refunded bond escrow agent	-	(131,935)	-	(131,935)
Total other financing sources, net	16,779	69,256	665	86,700
Net changes in fund balances	(4,538)	3,772	-	(766)
Fund balances at beginning of year	91,292	29,995	-	121,287
Fund balances at end of year	$ 86,754	$ 33,767	$ -	$ 120,521

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2016
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 186,714	$ 186,714	$ 241,040	$ 54,326
Fines, forfeitures, and penalties	15,040	15,040	14,860	(180)
Interest and investment income	-	-	967	967
Intergovernmental				
State	800	800	755	(45)
Other	-	3,740	3,754	14
Total revenues	202,554	206,294	261,376	55,082
Expenditures:				
Debt service:				
Principal retirement	201,642	191,928	191,928	-
Interest and other fiscal charges	9,318	90,649	90,649	-
Bond issuance costs	-	74	74	-
Total expenditures	210,960	282,651	282,651	-
Deficiency of revenues under expenditures	(8,406)	(76,357)	(21,275)	55,082
Other financing sources:				
Transfers in	4,203	16,779	16,779	-
Net changes in fund balances	(4,203)	(59,578)	(4,496)	55,082
Budgetary fund balance, July 1	4,203	99,389	99,389	-
Budgetary fund balance, June 30	$ -	$ 39,811	$ 94,893	$ 55,082

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2016
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:				
Deposits and investments with City Treasury	$ 217,767	$ 17	$ 7,039	$ -
Deposits and investments outside City Treasury	15,750	-	-	6,572
Receivables:				
Federal and state grants and subventions	-	-	-	-
Charges for services	116	-	-	-
Interest and other	188	-	8	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	36
Total assets	$ 233,821	$ 17	$ 7,047	$ 6,608
Liabilities:				
Accounts payable	$ 19,491	$ -	$ 81	$ 9,132
Accrued payroll	434	-	10	87
Unearned grant and subvention revenue	-	-	-	-
Due to other funds	-	-	-	7,463
Unearned revenues and other liabilities	1,883	-	-	-
Bonds, loans, capital leases, and other payables	-	-	-	91,299
Total liabilities	21,808	-	91	107,981
Deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted	212,013	17	6,956	-
Unassigned	-	-	-	(101,373)
Total fund balances	212,013	17	6,956	(101,373)
Total liabilities, deferred inflows of resources and fund balances	$ 233,821	$ 17	$ 7,047	$ 6,608

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2016
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets:				
Deposits and investments with City Treasury	$ 416	$ 68,289	$ 99,815	$ 393,343
Deposits and investments outside City Treasury	-	-	3,030	25,352
Receivables:				
Federal and state grants and subventions	-	6,250	3,136	9,386
Charges for services	-	-	-	116
Interest and other	1	77	99	373
Due from other funds	-	361	2,174	2,535
Due from component unit	-	-	-	36
Total assets	$ 417	$ 74,977	$ 108,254	$ 431,141
Liabilities:				
Accounts payable	$ -	$ 3,661	$ 4,953	$ 37,318
Accrued payroll	-	226	499	1,256
Unearned grant and subvention revenue	-	1,614	60	1,674
Due to other funds	-	-	42	7,505
Unearned revenues and other liabilities	-	10	631	2,524
Bonds, loans, capital leases, and other payables	-	-	-	91,299
Total liabilities	-	5,511	6,185	141,576
Deferred inflows of resources	-	5,579	2,092	7,671
Fund balances:				
Restricted	417	63,887	99,977	383,267
Unassigned	-	-	-	(101,373)
Total fund balances	417	63,887	99,977	281,894
Total liabilities, deferred inflows of resources and fund balances	$ 417	$ 74,977	$ 108,254	$ 431,141

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, 2016
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income	$ 834	$ -	$ 39	$ -
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Other	-	-	-	-
Other	6,355	-	-	-
Total revenues	7,189	-	39	-
Expenditures:				
Debt service:				
Interest and other fiscal charges	101	-	-	742
Bond issuance costs	3,301	-	-	-
Capital outlay	78,222	-	522	67,291
Total expenditures	81,624	-	522	68,033
Excess (deficiency) of revenues over (under) expenditures	(74,435)	-	(483)	(68,033)
Other financing sources (uses):				
Transfers in	13,396	-	-	514
Transfers out	(47,820)	-	-	(44)
Issuance of bonds and loans:				
Face value of bonds issued	285,260	-	-	-
Premium on issuance of bonds	14,365	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	265,201	-	-	470
Net changes in fund balances	190,766	-	(483)	(67,563)
Fund balances at beginning of year	21,247	17	7,439	(33,810)
Fund balances at end of year	$ 212,013	$ 17	$ 6,956	$ (101,373)

(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, 2016
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Interest and investment income	$ 5	$ 349	$ 459	$ 1,686
Rents and concessions	-	-	181	181
Intergovernmental:				
Federal	-	-	3,065	3,065
State	-	2,275	527	2,802
Other	-	-	299	299
Other	-	382	42	6,779
Total revenues	5	3,006	4,573	14,812
Expenditures:				
Debt service:				
Interest and other fiscal charges	-	1	2	846
Bond issuance costs	-	860	1,129	5,290
Capital outlay	553	28,690	48,626	223,904
Total expenditures	553	29,551	49,757	230,040
Excess (deficiency) of revenues over (under) expenditures	(548)	(26,545)	(45,184)	(215,228)
Other financing sources (uses):				
Transfers in	-	62	8,535	22,507
Transfers out	-	(24,249)	(68,368)	(140,481)
Issuance of bonds and loans:				
Face value of bonds issued	-	51,915	111,150	448,325
Premium on issuance of bonds	-	2,463	5,913	22,741
Other financing sources-capital leases	70	1,169	-	1,239
Total other financing sources, net	70	31,360	57,230	354,331
Net changes in fund balances	(478)	4,815	12,046	139,103
Fund balances at beginning of year	895	59,072	87,931	142,791
Fund balances at end of year	$ 417	$ 63,887	$ 99,977	$ 281,894

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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, 2016
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 3,198	$ -	$ 1,993	$ 30,073	$ 35,264
Receivables:					
Charges for services	-	-	53	-	53
Interest and other	-	3	-	630	633
Due from other funds	-	24	-	-	24 (1)
Capital leases receivable	-	14,409	-	-	14,409
Restricted assets:					
Deposits and investments outside City Treasury	-	25,349	-	-	25,349
Total current assets	3,198	39,785	2,046	30,703	75,732
Noncurrent assets:					
Capital leases receivable	-	179,041	-	-	179,041
Capital assets:					
Facilities and equipment, net of depreciation	564	-	411	10,010	10,985
Total noncurrent assets	564	179,041	411	10,010	190,026
Total assets	3,762	218,826	2,457	40,713	265,758
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	1,091	-	-	1,091
Deferred outflows related to pensions	2,163	-	-	5,312	7,475
Total deferred outflows of resources	2,163	1,091	-	5,312	8,566
Liabilities:					
Current liabilities:					
Accounts payable	1,223	9	142	6,085	7,459
Accrued payroll	441	-	62	1,359	1,862
Accrued vacation and sick leave pay	461	-	-	1,343	1,804
Accrued workers' compensation	-	-	-	342	342
Bonds, loans, capital leases, and other payables	-	14,025	-	-	14,025
Accrued interest payable	-	1,315	-	-	1,315
Due to other funds	15	361	-	9	385 (1)
Unearned revenues and other liabilities	-	21,015	-	34	21,049
Total current liabilities	2,140	36,725	204	9,172	48,241
Noncurrent liabilities:					
Accrued vacation and sick leave pay	306	-	-	992	1,298
Accrued workers' compensation	-	-	-	1,522	1,522
Other postemployment benefits obligation	5,232	-	-	18,286	23,518
Bonds, loans, capital leases, and other payables	-	183,192	-	-	183,192
Net pension liability	6,901	-	-	17,265	24,166
Total noncurrent liabilities	12,439	183,192	-	38,065	233,696
Total liabilities	14,579	219,917	204	47,237	281,937
Deferred inflows of resources:					
Deferred inflows related to pensions	2,173	-	-	5,656	7,829
Net position:					
Net investment in capital assets	564	-	411	10,010	10,985
Unrestricted (deficit)	(11,391)	-	1,842	(16,878)	(26,427)
Total net position	$ (10,827)	$ -	$ 2,253	$ (6,868)	$ (15,442)

Notes:
(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary funds on page 33-34.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2016
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 30,815	$ -	$ 7,569	$ 98,436	$ 136,820
Rents and concessions	-	-	-	176	176
Total operating revenues	30,815	-	7,569	98,612	136,996
Operating expenses:					
Personal services	12,711	-	1,924	34,837	49,472
Contractual services	3,603	-	4,671	43,539	51,813
Materials and supplies	10,935	-	246	8,332	19,513
Depreciation and amortization	158	-	54	2,586	2,798
General and administrative	105	-	2	433	540
Services provided by other departments	1,340	-	453	4,093	5,886
Other	-	-	130	5,650	5,780
Total operating expenses	28,852	-	7,480	99,470	135,802
Operating income(loss)	1,963	-	89	(858)	1,194
Nonoperating revenues (expenses):					
Operating grants	41	-	-	-	41
Interest and investment income	-	4,148	6	109	4,263
Interest expense	(5)	(4,584)	-	-	(4,589)
Other, net	-	436	4	393	833
Total nonoperating revenues (expenses)	36	-	10	502	548
Income(loss) before transfers	1,999	-	99	(356)	1,742
Transfers in	5	-	-	-	5
Transfers out	-	-	(6)	(109)	(115)
Change in net position	2,004	-	93	(465)	1,632
Net position (deficit) at beginning of year	(12,831)	-	2,160	(6,403)	(17,074)
Net position (deficit) at end of year	$ (10,827)	$ -	$ 2,253	$ (6,868)	$ (15,442)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 30,815	$ 22,508	$ 7,580	$ 99,091	$ 159,994
Cash paid for employees' services	(13,660)	-	(1,913)	(35,957)	(51,530)
Cash paid to suppliers for goods and services	(16,947)	(6,602)	(5,664)	(61,816)	(91,029)
Net cash provided by operating activities	208	15,906	3	1,318	17,435
Cash flows from noncapital financing activities:					
Operating grants	41	-	-	-	41
Transfers in	5	-	-	-	5
Transfers out	-	-	(6)	(109)	(115)
Net cash provided by (used in) noncapital financing activities	46	-	(6)	(109)	(69)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(174)	-	(41)	(3,996)	(4,211)
Retirement of capital lease obligation	-	(18,795)	-	-	(18,795)
Interest paid on long-term debt	-	(4,698)	-	-	(4,698)
Net cash used in capital and related financing activities	(174)	(23,493)	(41)	(3,996)	(27,704)
Cash flows from investing activities:					
Proceeds from sale of investments with trustees	-	4,672	-	-	4,672
Interest and investment income	-	22	6	109	137
Other investing activities	(5)	-	-	-	(5)
Net cash provided by (used in) investing activities	(5)	4,694	6	109	4,804
Change in cash and cash equivalents	75	(2,893)	(38)	(2,678)	(5,534)
Cash and cash equivalents at beginning of year	3,123	28,242	2,031	32,751	66,147
Cash and cash equivalents at end of year	$ 3,198	$ 25,349	$ 1,993	$ 30,073	$ 60,613
Reconciliation of operating income(loss) to net cash provided by operating activities:					
Operating income(loss)	$ 1,963	$ -	$ 89	$ (858)	$ 1,194
Adjustments for non-cash and other activities:					
Depreciation and amortization	158	-	54	2,586	2,798
Other	-	-	4	393	397
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net	-	18,795	7	86	18,888
Accounts payable	(942)	-	(162)	261	(843)
Accrued payroll	66	-	11	429	506
Accrued vacation and sick leave pay	17	-	-	191	208
Accrued workers' compensation	-	-	-	(79)	(79)
Other postemployment benefits obligation	194	-	-	1,457	1,651
Due to other funds	(22)	-	-	(30)	(52)
Unearned revenue and other liabilities	-	(2,889)	-	-	(2,889)
Net pension liability and pension related deferred outflows and inflows of resources	(1,226)	-	-	(3,118)	(4,344)
Total adjustments	(1,755)	15,906	(86)	2,176	16,241
Net cash provided by operating activities	$ 208	$ 15,906	$ 3	$ 1,318	$ 17,435
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 3,198	$ -	$ 1,993	$ 30,073	$ 35,264
Deposits and investments outside City Treasury:					
Restricted	-	25,349	-	-	25,349
Cash and cash equivalents at end of year on statement of cash flows	$ 3,198	$ 25,349	$ 1,993	$ 30,073	$ 60,613
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 361	$ -	$ -	$ 361

CITY AND COUNTY OF SAN FRANCISCO

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 Deduction Fund – Accounts for 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, 2016
(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
Assets				
Deposits and investments with City Treasury	$ 6,656	$ 87,628	$ 3,022	$ 97,306
Deposits and investments outside City Treasury:				
Cash and deposits	43,521	-	-	43,521
Short term investments	1,009,676	-	-	1,009,676
Debt securities	4,717,016	-	30,100	4,747,116
Equity securities	9,274,863	-	77,001	9,351,864
Real assets	2,341,500	-	-	2,341,500
Private equity	2,750,619	-	3,250	2,753,869
Foreign currency contracts, net	14,125	-	-	14,125
Invested in securities lending collateral	865,681	-	-	865,681
Receivables:				
Employer and employee contributions	10,908	20,265	1,251	32,424
Brokers, general partners and others	66,689	-	-	66,689
Interest and other	43,115	971	168	44,254
Total assets	21,144,369	108,864	114,792	21,368,025
Liabilities				
Accounts payable	18,273	8,675	10	26,958
Estimated claims payable	-	29,347	-	29,347
Payable to brokers	107,444	-	-	107,444
Deferred Retirement Option Program	613	-	-	613
Payable to borrowers of securities	863,536	-	-	863,536
Other liabilities	-	2,239	-	2,239
Total liabilities	989,866	40,261	10	1,030,137
Net Position				
Restricted for pension and other employee benefits	$ 20,154,503	$ 68,603	$ 114,782	$ 20,337,888

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, 2016
(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:				
Employees' contributions	$ 322,764	$ 125,348	$ 21,166	$ 469,278
Employer contributions	526,805	674,556	183,743	1,385,104
Total contributions	849,569	799,904	204,909	1,854,382
Investment income/loss:				
Interest	188,292	381	2,120	190,793
Dividends	219,529	-	-	219,529
Net appreciation (depreciation) in fair value of investments	(216,852)	(48)	1,005	(215,895)
Securities lending and other income	7,562	-	-	7,562
Total investment income	198,531	333	3,125	201,989
Less investment expenses:				
Securities lending borrower rebates and expenses	(1,315)	-	-	(1,315)
Other investment expenses	(47,026)	-	(148)	(47,174)
Total investment expenses	(48,341)	-	(148)	(48,489)
Total additions, net	999,759	800,237	207,886	2,007,882
Deductions:				
Benefit payments	1,243,260	813,164	165,985	2,222,409
Refunds of contributions	12,886	-	-	12,886
Administrative expenses	17,179	-	139	17,318
Total deductions	1,273,325	813,164	166,124	2,252,613
Change in net position	(273,566)	(12,927)	41,762	(244,731)
Net position at beginning of year	20,428,069	81,530	73,020	20,582,619
Net position at end of year	$20,154,503	$ 68,603	$ 114,782	$ 20,337,888

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2016
(In Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury	$ 20,764	$ 3,465	$ 3,960	$ 20,269
Receivables:				
Interest and other	20	118	116	22
Total assets	$ 20,784	$ 3,583	$ 4,076	$ 20,291
Liabilities				
Accounts payable	$ 11	$ 804	$ 793	$ 22
Agency obligations	20,773	5,445	5,949	20,269
Total liabilities	$ 20,784	$ 6,249	$ 6,742	$ 20,291
Deposits Fund				
Assets				
Deposits and investments with City Treasury	$ 15,155	$ 34,264	$ 32,958	$ 16,461
Deposits and investments outside City Treasury	36	1	36	1
Receivables:				
Interest and other	26	52	48	30
Other assets	45,538	-	-	45,538
Total assets	$ 60,755	$ 34,317	$ 33,042	$ 62,030
Liabilities				
Accounts payable	$ 1,366	$ 13,423	$ 14,055	$ 734
Agency obligations	59,389	33,314	31,407	61,296
Total liabilities	$ 60,755	$ 46,737	$ 45,462	$ 62,030
Payroll Deduction Fund				
Assets				
Deposits and investments with City Treasury	$ 55,864	$ -	$ 37,395	$ 18,469
Receivables:				
Employer and employee contributions	30,822	12,749	-	43,571
Total assets	$ 86,686	$ 12,749	$ 37,395	$ 62,040
Liabilities				
Accounts payable	$ 51,554	$ -	$ 7,959	$ 43,595
Agency obligations	35,132	5,155	21,842	18,445
Total liabilities	$ 86,686	$ 5,155	$ 29,801	$ 62,040

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 987	$ 20,202	$ 18,098	$ 3,091
Deposits and investments outside City Treasury	1	1	1	1
Receivables:				
Interest and other	-	1	1	-
Total assets	$ 988	$ 20,204	$ 18,100	$ 3,092
Liabilities				
Accounts payable	$ 260	$ 18,512	$ 18,593	$ 179
Agency obligations	728	20,729	18,544	2,913
Total liabilities	$ 988	$ 39,241	$ 37,137	$ 3,092
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 57,400	$3,947,662	$3,975,483	$ 29,579
Deposits and investments outside City Treasury	-	762	-	762
Receivables:				
Interest and other	206,986	2,347,048	2,278,080	275,954
Total assets	$264,386	$6,295,472	$6,253,563	$306,295
Liabilities				
Accounts payable	$ 1,778	$ 65,453	$ 66,867	$ 364
Agency obligations	262,608	3,042,471	2,999,148	305,931
Total liabilities	$264,386	$3,107,924	$3,066,015	$306,295
Transit Fund				
Assets				
Deposits and investments with City Treasury	$ 7,052	$ 70,002	$ 73,552	$ 3,502
Receivables:				
Interest and other	3	19	19	3
Total assets	$ 7,055	$ 70,021	$ 73,571	$ 3,505
Liabilities				
Accounts payable	$ 1,938	$ 19,677	$ 19,356	$ 2,259
Agency obligations	5,117	52,235	56,106	1,246
Total liabilities	$ 7,055	$ 71,912	$ 75,462	$ 3,505

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2016
(In Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Other Agency Funds				
Assets				
Deposits and investments with City Treasury........	$ 32,995	$ 393,602	$ 379,174	$ 47,423
Deposits and investments outside City Treasury..	-	53	-	53
Receivables:				
Interest and other..	217	349	257	309
Total assets..	$ 33,212	$ 394,004	$ 379,431	$ 47,785
Liabilities				
Accounts payable..	$ 5,336	$ 128,990	$ 127,827	$ 6,499
Agency obligations..	27,876	392,948	379,538	41,286
Total liabilities..	$ 33,212	$ 521,938	$ 507,365	$ 47,785
Total Agency Funds				
Assets				
Deposits and investments with City Treasury........	$190,217	$4,469,197	$4,520,620	$138,794
Deposits and investments outside City Treasury..	37	817	37	817
Receivables:				
Employer and employee contributions................	30,822	12,749	-	43,571
Interest and other..	207,252	2,347,587	2,278,521	276,318
Other assets..	45,538	-	-	45,538
Total assets..	$473,866	$6,830,350	$6,799,178	$505,038
Liabilities				
Accounts payable..	$ 62,243	$ 246,859	$ 255,450	$ 53,652
Agency obligations..	411,623	3,552,297	3,512,534	451,386
Total liabilities..	$473,866	$3,799,156	$3,767,984	$505,038

CITY AND COUNTY OF SAN FRANCISCO

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.

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CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016
Governmental activities										
Net investment in capital assets	$ 1,454,614	$ 1,436,842	$ 1,725,203	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963	$ 2,483,086	$ 2,684,808	$ 2,750,782
Restricted for:										
Reserve for rainy day	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106
Debt service	28,310	23,130	30,724	34,308	36,805	48,202	98,754	91,900	87,772	83,029
Capital projects	19,128	-	-	63,323	82,315	91,997	154,502	110,608	28,263	198,962
Community development	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398
Transportation Authority activities	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657
Building inspection programs	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663
Children and families	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177
Culture, recreation, grants and other purposes	113,606	112,219	116,032	113,917	155,152	150,383	158,973	206,368	209,399	240,524
Unrestricted (deficit)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)
Total governmental activities net position	$ 1,871,011	$ 1,585,056	$ 1,305,203	$ 1,152,985	$ 1,310,279	$ 1,920,010	$ 1,820,159	$ 2,341,631	$ 1,287,214	$ 2,009,063
Business-type activities										
Net investment in capital assets	$ 3,795,006	$ 3,935,008	$ 4,204,644	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,519,090	$ 4,832,659	$ 5,117,679	$ 5,690,741
Restricted for:										
Debt service	249,656	282,187	58,716	71,128	62,421	53,951	53,951	64,143	100,923	127,073
Capital projects	75,771	111,463	140,932	188,580	161,580	176,570	176,570	363,601	358,745	340,896
Other purposes	23,709	28,254	31,459	18,854	18,741	18,913	18,913	24,721	35,986	70,505
Unrestricted	567,122	491,437	324,395	259,533	268,328	242,842	262,742	732,736	(335,083)	(231,379)
Total business-type activities net position	$ 4,711,264	$ 4,848,349	$ 4,760,146	$ 4,815,894	$ 4,992,474	$ 5,031,266	$ 5,031,266	$ 6,017,860	$ 5,278,250	$ 5,997,836
Primary government										
Net investment in capital assets (3)	$ 5,249,620	$ 5,371,850	$ 5,630,550	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499	$ 7,032,674	$ 7,520,698	$ 8,151,422
Restricted for:										
Reserve for rainy day	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106
Debt service	277,966	305,317	89,440	105,436	99,226	102,153	157,724	156,043	188,695	210,102
Capital projects (3)	94,899	111,463	140,932	239,209	223,694	246,027	356,002	418,103	330,213	423,132
Community development	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398
Transportation Authority activities	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657
Building inspection programs	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663
Children and families	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177
Culture, recreation, grants and other purposes	137,315	140,473	147,491	132,771	173,893	169,296	172,019	231,089	245,385	311,029
Unrestricted (deficit) (3)	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752	(2,355,480)	(1,897,787)
Total primary activities net position	$ 6,582,275	$ 6,433,405	$ 6,065,349	$ 5,968,879	$ 6,302,753	$ 6,951,276	$ 7,494,261	$ 8,359,491	$ 6,565,464	$ 8,006,899

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 2009. See Note 10(d) in the Notes to Basic Financial Statements for details.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2007	2008	2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016
Expenses										
Governmental activities:										
Public protection	$ 861,689	$ 1,020,457	$ 1,109,311	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922	$ 1,229,591	$ 1,108,200	$ 1,222,549
Public works, transportation and commerce	309,095	342,411	254,955	225,589	239,230	210,415	189,124	200,712	270,454	418,978
Human welfare and neighborhood development	751,034	848,195	908,449	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403
Community health	516,321	567,410	608,733	599,741	613,883	673,905	751,491	786,761	735,040	747,071
Culture and recreation	290,547	347,433	319,994	310,063	318,083	307,269	338,042	357,620	355,676	311,028
General administration and finance	194,653	250,295	238,601	221,471	224,027	237,818	249,271	298,563	249,823	246,383
General City responsibilities	67,948	80,887	72,634	80,246	84,444	96,147	83,895	85,239	94,577	113,490
Unallocated Interest on long-term debt and cost of issuance (1)	94,060	97,694	93,387	102,635	110,142	110,145	107,790	115,880	115,030	115,357
Total governmental activities expenses	3,085,347	3,554,782	3,606,064	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452	4,408,259
Business-type activities:										
Airport	624,832	651,581	683,335	662,347	690,875	746,610	756,961	827,658	853,338	900,621
Transportation	726,053	830,411	863,218	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420
Port	61,937	67,495	71,778	73,573	68,661	72,307	81,422	88,551	88,436	91,449
Water	236,824	252,802	277,162	325,242	362,802	431,248	445,804	470,200	438,885	470,254
Power	95,020	109,436	96,228	119,109	119,282	130,709	129,790	137,639	149,438	153,472
Hospitals	714,349	812,399	820,236	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618
Sewer	168,954	182,712	184,977	201,403	201,629	214,593	223,727	243,466	239,556	244,289
Market	1,061	1,052	1,144	1,119	1,152	1,138	1,231	120	-	-
Total business-type activities expenses	2,629,030	2,907,888	2,998,078	3,130,975	3,234,913	3,510,259	3,658,348	3,816,454	3,784,299	4,017,123
Total primary government expenses	$ 5,714,377	$ 6,462,670	$ 6,604,142	$ 6,693,068	$ 6,809,707	$ 7,247,099	$ 7,561,445	$ 7,900,010	$ 7,786,751	$ 8,425,382
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 58,979	$ 66,343	$ 90,044	$ 58,980	$ 62,105	$ 61,412	$ 60,190	$ 69,673	$ 70,444	$ 86,164
Public works, transportation and commerce	111,364	115,939	72,287	71,288	101,846	93,809	105,981	135,842	128,661	130,410
Human welfare and neighborhood development	56,367	108,956	33,988	25,813	56,628	68,794	69,997	99,848	96,012	273,986
Community health	50,266	52,455	60,708	65,756	64,419	58,864	60,856	67,680	93,130	90,078
Culture and recreation	65,407	70,576	74,477	81,855	76,528	78,828	93,612	89,969	98,302	98,205
General administration and finance	10,502	20,376	33,530	35,190	37,601	44,358	76,903	66,071	89,403	52,417
General City responsibilities	29,604	26,980	27,377	37,806	29,316	29,142	50,121	39,445	37,031	45,922
Operating Grants and Contributions	927,256	926,089	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902
Capital Grants and Contributions	50,479	36,079	44,048	50,349	57,719	41,174	29,718	39,379	48,233	24,795
Total Governmental activities program revenues	1,360,224	1,423,793	1,346,154	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,826,556	2,091,879
Business-type activities:										
Charges for services:										
Airport	503,914	535,771	551,283	578,041	607,323	668,672	726,358	770,691	815,364	866,991
Transportation	222,115	257,341	257,083	311,311	334,140	350,464	494,805	521,628	499,584	495,296
Port	61,193	64,498	66,438	66,579	72,266	77,260	80,202	85,019	95,296	99,733
Water	216,531	234,216	265,781	265,218	288,395	342,101	721,470	379,882	426,047	419,516
Power	108,224	119,855	115,274	128,590	140,035	127,309	133,927	134,438	147,803	164,736
Hospitals	515,092	558,167	568,210	606,276	726,522	740,920	868,244	951,038	894,718	922,320
Sewer	193,411	202,549	208,654	209,843	229,216	244,155	252,554	260,097	256,002	261,775
Market	1,567	1,564	1,546	1,681	1,655	1,672	1,715	141	-	-
Operating Grants and Contributions	183,301	181,725	186,805	182,572	204,153	200,318	224,382	190,351	191,101	199,623
Capital Grants and Contributions	150,080	152,511	107,118	180,253	213,364	173,975	251,753	515,445	357,819	374,924
Total business-type activities program revenues	2,155,428	2,308,197	2,328,192	2,530,364	2,817,069	2,926,846	3,755,410	3,808,730	3,683,734	3,804,914
Total primary government program revenues	$ 3,515,652	$ 3,731,990	$ 3,674,346	$ 3,954,492	$ 4,343,347	$ 4,401,928	$ 5,388,942	$ 5,558,731	$ 5,510,290	$ 5,896,793

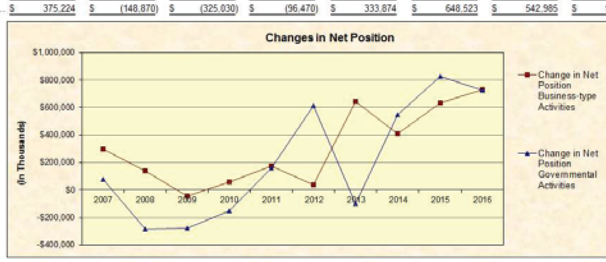
Notes:
(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.
(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2007	2008	2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016
Net (expenses)/revenue										
Governmental activities	$ (1,725,123)	$ (2,130,989)	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)	$ (2,333,555)	$ (2,175,896)	$ (2,316,380)
Business-type activities	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)	(212,209)
Total primary government net expenses	$ (2,198,725)	$ (2,730,680)	$ (2,929,796)	$ (2,738,576)	$ (2,466,360)	$ (2,845,171)	$ (2,172,503)	$ (2,341,279)	$ (2,276,461)	$ (2,528,589)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 1,126,992	$ 1,189,511	$ 1,302,071	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068	$ 1,521,471	$ 1,640,383	$ 1,808,917
Business taxes	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926
Sales and use tax	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636	240,424	270,051
Hotel room tax	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661
Utility users tax	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651
Other local taxes	211,082	155,951	126,017	194,070	251,285	353,746	359,808	391,638	451,994	399,882
Interest and investment income	86,233	57,929	35,434	27,877	17,645	31,453	7,862	21,887	20,737	24,048
Other	33,046	25,939	44,086	54,410	58,524	91,236	52,865	70,024	46,906	59,266
Transfers - internal activities of primary government	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)	(671,173)
Extraordinary gain (loss)	-	-	-	-	-	323,130	(201,670)	-	-	-
Total governmental activities	1,801,516	1,845,034	1,980,057	1,985,747	2,205,810	2,871,489	2,169,714	2,881,297	3,000,826	3,038,229
Business-type activities:										
Interest and investment income	85,692	67,217	49,691	44,471	42,299	82,533	1,009	29,843	25,999	28,566
Other	218,184	233,244	181,759	176,064	214,993	288,584	61,737	82,737	200,148	240,636
Special item	17,386	(41,026)	-	-	-	-	-	-	-	-
Transfers - internal activities of primary government	451,171	477,341	393,259	435,824	337,132	251,088	483,028	311,627	504,791	671,173
Extraordinary gain (loss)	-	-	-	-	-	-	-	(6,843)	-	-
Total business-type activities	772,433	736,776	624,709	656,359	594,424	622,205	545,774	417,364	730,938	940,375
Total primary government	$ 2,573,949	$ 2,581,810	$ 2,604,766	$ 2,642,106	$ 2,800,234	$ 3,493,694	$ 2,715,488	$ 3,298,661	$ 3,731,764	$ 3,978,604
Change in Net Position										
Governmental activities	$ 76,393	$ (285,955)	$ (279,853)	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)	$ 547,742	$ 824,930	$ 721,849
Business-type activities	298,831	137,085	(45,177)	55,748	176,580	38,792	642,836	409,640	630,373	728,166
Total primary government	$ 375,224	$ (148,870)	$ (325,030)	$ (96,470)	$ 333,874	$ 648,523	$ 542,985	$ 957,382	$ 1,455,303	$ 1,450,015



Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.
(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

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CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Fiscal Year

	2007	2008	2009
General Fund			
Reserved for rainy day	$ 133,622	$ 117,792	$ 98,297
Reserved for assets not available for appropriation	12,665	11,358	11,307
Reserved for encumbrances	60,948	63,068	65,902
Reserved for appropriation carryforward	161,127	99,959	91,075
Reserved for subsequent years' budgets	32,062	36,341	6,891
Unreserved	141,037	77,117	28,203
Total general fund	$ 541,461	$ 405,635	$ 301,675
All other governmental funds			
Reserved for assets not available for appropriation	$ 19,413	$ 19,814	$ 19,781
Reserved for debt service	51,299	47,334	75,886
Reserved for encumbrances	288,948	193,461	167,169
Reserved for appropriation carryforward	292,234	314,051	501,006
Reserved for subsequent years' budgets	8,004	13,504	11,245
Unreserved reported in:			
Special revenue funds	47,445	(27,758)	(69,468)
Capital projects funds	(373)	2,126	(26,153)
Permanent fund	3,508	3,502	3,871
Total other governmental funds	$ 710,478	$ 566,034	$ 683,337

	2010 (1)	2011	2012	2013	2014	2015	2016
General Fund							
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854	$ 24,022	$ 24,786	$ 522
Restricted	39,582	33,439	34,109	26,339	83,194	114,969	120,106
Committed	4,677	33,431	79,276	137,487	145,126	142,815	187,170
Assigned	132,645	240,635	305,413	353,191	508,903	705,076	879,567
Unassigned	-	-	17,329	-	74,317	157,550	241,797
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871	$ 835,562	$ 1,145,196	$ 1,429,162
All other governmental funds							
Nonspendable	$ 192	$ 192	$ 1,104	$ 274	$ 441	$ 329	$ 82
Restricted	861,188	831,269	1,189,102	1,191,189	1,115,226	1,110,836	1,443,956
Assigned	27,493	27,622	28,006	30,759	50,733	66,740	66,085
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)	(34,158)	(103,811)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690	$ 1,101,417	$ 1,143,747	$ 1,406,312

Notes:
(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

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									
	2007	2008	2009 [1]	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Property taxes	$ 1,107,864	$ 1,179,688	$ 1,272,385	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764	$ 1,517,261	$ 1,642,159	$ 1,798,776
Business taxes	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926
Sales and use tax	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636	240,424	267,443
Hotel room tax	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661
Utility users tax	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651
Other local taxes	211,082	155,951	126,017	194,070	251,285	353,889	359,808	391,638	451,994	399,882
Licenses, permits and franchises	27,428	30,943	32,153	33,625	35,977	39,770	40,901	42,371	42,959	43,722
Fines, forfeitures and penalties	8,871	13,217	9,694	22,255	11,770	30,090	49,841	28,425	28,154	36,169
Interest and investment income	83,846	54,256	33,547	27,038	17,041	31,371	7,489	21,678	20,583	23,931
Rent and concessions	52,493	70,160	77,014	78,527	78,995	89,183	98,770	90,712	99,102	135,865
Intergovernmental:										
Federal	381,688	328,315	362,582	448,890	484,704	420,974	420,775	426,314	465,196	416,823
State	582,666	561,095	575,774	552,641	581,119	588,532	656,141	721,735	751,574	776,866
Other	15,689	15,907	15,186	7,397	32,017	33,181	41,789	9,408	15,774	85,872
Charges for services	273,057	288,689	280,407	243,128	258,015	264,856	296,059	333,904	359,044	392,665
Other	44,084	81,321	30,318	51,023	97,194	83,634	81,014	134,923	123,605	264,722
Total revenues	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273	5,345,741	5,789,974
Expenditures										
Public protection	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000
Public works, transportation and commerce	280,907	236,569	248,161	243,454	226,920	250,879	223,218	232,005	293,999	416,152
Human welfare and neighborhood development	740,171	828,903	886,686	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588
Community health	509,844	543,046	578,828	581,392	595,222	653,263	734,736	761,439	753,832	776,612
Culture and recreation	286,135	309,612	313,442	303,134	310,392	311,156	328,794	331,914	352,852	364,909
General administration and finance	167,505	215,054	190,680	187,221	191,641	203,157	211,138	233,977	251,370	277,729
General City responsibilities	57,532	71,205	73,147	86,498	85,463	96,150	81,775	86,996	98,658	114,684
Debt service:										
Principal retirement	98,169	106,580	126,501	154,051	148,231	167,465	154,542	190,266	200,497	252,456
Interest and fiscal charges	71,266	75,844	74,466	89,946	101,716	103,706	108,189	119,142	121,371	119,723
Bond issuance costs	3,683	1,090	4,746	2,145	2,161	5,386	2,913	2,185	2,734	7,108
Capital outlay	283,370	133,155	152,473	182,448	214,817	270,094	410,994	449,726	412,740	223,904
Total expenditures	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339	4,793,629	5,074,865
Excess (deficiency) of revenues over (under) expenditures	219,964	133,317	32,137	20,630	325,536	196,621	145,871	330,934	552,112	715,109

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									
	2007	2008	2009 [1]	2010	2011	2012	2013	2014	2015	2016
Other financing sources (uses):										
Transfers in	217,298	244,770	352,693	302,790	304,682	335,600	447,734	563,283	556,287	580,737
Transfers out	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)
Issuance of bonds and loans:										
Face value of bonds issued	312,955	310,155	456,935	393,010	232,965	804,090	557,490	257,175	449,530	595,925
Face value of loans issued	141	1,829	-	599	1,813	4,359	5,890	8,735	136,763	-
Premium on issuance of bonds	3,521	13,071	12,875	16,647	16,799	89,336	64,469	19,773	69,833	32,845
Discount on issuance of bonds	(1,856)	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)
Other financing sources - capital leases	12,789	24,254	24,881	20,746	19,769	12,304	13,470	12,869	7,750	5,650
Total other financing sources (uses)	(283,609)	(413,587)	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)	(168,578)
Extraordinary gain (loss)	-	-	-	-	-	197,314	(172,651)	-	-	-
Net change in fund balances	$ (63,645)	$ (280,270)	$ 13,343	$ 14,073	$ 128,481	$ 409,515	$ 131,480	$ 268,418	351,964	546,531
Debt service as a percentage of noncapital expenditures	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%
Debt service as a percentage of total expenditures	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%

Notes:

[1] In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

Fiscal Year (4)	Assessed Value (1) Real Property	Assessed Value (1) Personal Property	Assessed Value (1) Total	Exemptions (2) Non-reimbursable	Exemptions (2) Reimbursable	Exemptions (2) Redevelopment Tax Increments	Total Taxable Assessed Value (3)	Total Direct Tax Rate
2007…….	$ 126,074,101	$ 3,524,897	$ 129,598,998	$ 4,617,851	$ 657,144	$ 7,333,916	$ 116,990,087	1.00%
2008…….	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009…….	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010…….	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
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%

Source:
Controller, City and County of San Francisco

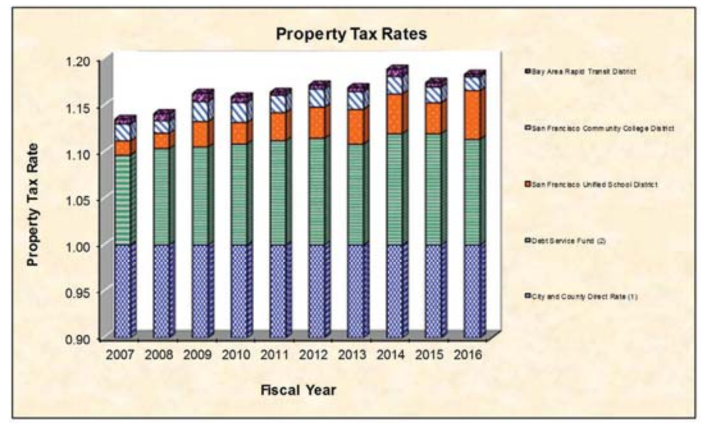
Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
 (a) Non-reimbursable exemptions are revenues lost 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 $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate (1)	Debt Service Fund (2)	Overlapping Rates: San Francisco Unified School District	Overlapping Rates: San Francisco Community College District	Overlapping Rates: Bay Area Rapid Transit District	Total
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
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



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 2016			Fiscal Year 2007		
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)
HWA 555 Owners LLC	Office, Commercial	$ 964,169	1	0.49%	$ 868,020	1	0.74%
PPF Paramount One Market Plaza Owner LP	Office, Commercial	789,865	2	0.40%	433,499	2	0.37%
Union Investment Real Estate GMBH	Office, Commercial	466,712	3	0.24%	-		-
Emporium Mall LLC	Retail, Commercial	441,260	4	0.23%	293,703	9	0.25%
SPF China Basin Holdings LLC	Office, Commercial	433,697	5	0.22%	-		-
SHC Embarcadero LLC	Office, Commercial	408,713	6	0.21%	-		-
Wells REIT II - 333 Market St LLC	Office, Commercial	404,977	7	0.21%	-		-
SF Hilton Inc.	Hotel	399,884	8	0.21%	-		-
Post-Montgomery Associates	Office, Commercial	396,798	9	0.20%	355,945	5	0.30%
PPF Off One Maritime Plaza LP	Office, Commercial	376,426	10	0.19%	-		-
Four Embarcadero Center Venture	Office, Commercial	-		-	365,081	4	0.31%
One Embarcadero Center Venture	Office, Commercial	-		-	314,699	6	0.27%
Three Embarcadero Center Venture	Office, Commercial	-		-	296,043	7	0.25%
Embarcadero Center Associates	Office, Commercial	-		-	294,873	8	0.25%
Marriott Hotel	Hotel	-		-	405,542	3	0.35%
101 California Venture	Office, Commercial	-		-	293,372	10	0.25%
Total		$ 5,082,501		2.60%	$ 3,920,777		3.34%

Source: Assessor, City and County of San Francisco

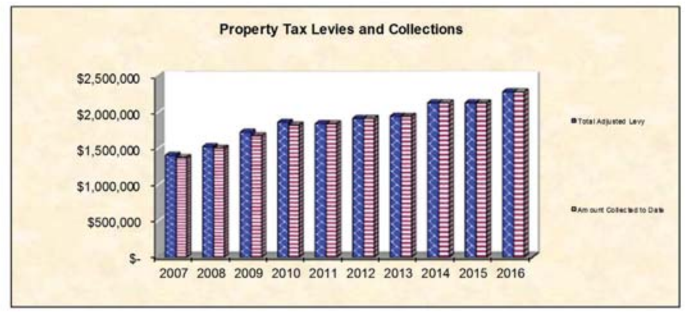
Notes:
(1) Data for fiscal year 2015-2016 updated as of July 1, 2015.
(2) Assessed values for fiscal years 2015-2016 and 2006-2007 are from the tax rolls of calendar years 2015 and 2006, respectively.

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
2007	$1,411,316	$ 1,372,174	97.23%	$ 5,959	$ 1,378,133	97.65%
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
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



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 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

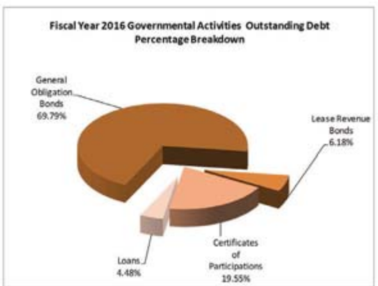
RATIOS OF OUTSTANDING DEBT BY TYPE

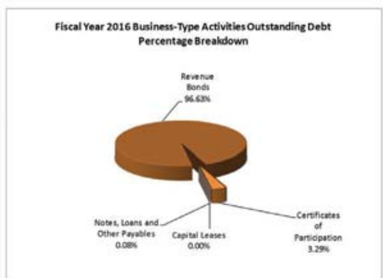
Last Ten Fiscal Years

(In Thousands, except per capita amount)

Governmental Activities							
Fiscal Year [1]	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligation	Subtotal
2007	$ 1,181,588	$ 250,095	$ 417,063	$ 11,640	$ 185,736	$ 27,353	$ 2,073,475
2008	1,135,205	283,469	408,745	12,495	174,149	20,779	2,034,842
2009	1,208,353	294,973	564,754	11,329	164,383	14,019	2,257,811
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	2,490,699
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

	Business-Type Activities								
Fiscal Year	Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [1]	Per Capita [1]
2007	$ 5,437,855	$ 102,438	$ -	$ 18,447	$ 4,499	$ 5,563,239	$ 7,636,714	13.56	9,556
2008	5,373,878	89,101	-	13,749	3,843	5,480,571	7,515,413	12.91	9,301
2009	4,928,729	75,339	-	324,042	2,635	5,330,745	7,588,556	13.66	9,307
2010	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.31	12,386
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	10,404,660	-	355,113	7,840	1,174	10,404,787	13,389,420	16.30	15,482
2016	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	16.21	15,536





Notes:

[1] See Demographic and Economic Statistics, for personal income and population data. Fiscal years 2009 to 2014 are 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]
2007	$ 1,181,588	$ 35,249	$ 1,146,339	$ 1,434	0.92%
2008	1,135,205	31,883	1,103,322	1,365	0.82
2009	1,208,353	40,907	1,167,446	1,432	0.78
2010	1,442,448	36,901	1,405,547	1,746	0.87
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	2,319	1.10
2016	2,227,515	86,754	2,140,761	2,442	1.10

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) FY 2015 updated 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				
	2007	2008	2009	2010	2011
Debt limit	$ 3,749,434	$ 4,050,223	$ 4,497,000	$ 4,853,760	$ 4,785,098
Total net debt applicable to limit [(1)]	1,181,588	1,135,205	1,208,353	1,442,448	1,411,769
Legal debt margin	$ 2,567,846	$ 2,915,018	$ 3,288,647	$ 3,411,312	$ 3,373,329
Total net debt applicable to the limit as a percentage of debt limit	31.51%	28.03%	26.87%	29.72%	29.50%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	$ 4,962,746	$ 5,030,049	$ 5,279,242	$ 5,482,482	$ 5,829,141
Total net debt applicable to limit [(1)]	1,617,397	2,052,155	2,105,885	2,096,765	2,227,515
Legal debt margin	$ 3,345,349	$ 2,977,894	$ 3,173,357	$ 3,385,717	$ 3,601,626
Total net debt applicable to the limit as a percentage of debt limit	32.59%	40.80%	39.89%	38.24%	38.21%

Legal Debt Margin Calculation for Fiscal Year 2016

Total assessed value	$ 202,557,159
Less: non-reimbursable exemptions [(2)]	8,252,472
Assessed value [(2)]	$ 194,304,687
Debt limit (three percent of valuation subject to taxation)[(3)]	$ 5,829,141
Debt applicable to limit - general obligation bonds	2,227,515
Legal debt margin	$ 3,601,626

Notes:

(1) Per outstanding general obligation bonds and reinstated to exclude refunding gain or loss.

(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, 2016

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			$ 2,227,515
Lease Revenue Bonds	$ 197,217	100.00%	197,217
Certificates of Participation	623,956	100.00%	623,956
Loans	143,059	100.00%	143,059
Total Direct Debt			3,191,747
Overlapping Debt			
General Obligation Bonds			
San Francisco Unified School District	997,013	100.00%	997,013
San Francisco Community College District	303,209	100.00%	303,209
Bay Area Rapid Transit District	603,495	32.00%	193,118
Total Overlapping Debt			1,493,340
Total Direct and Overlapping Debt			$ 4,685,087
Assessed valuation (net of non- reimbursable exemption)			$ 194,304,687
Population - 2016 [(2)]			876,799
Percentage of direct and overlapping general obligation debt per assessed valuation			1.91%
Percentage of total direct and overlapping debt per assessed valuation			2.41%
Estimated total direct and overlapping total debt per capita			$5.343

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 bounderies 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
2007	$ 540,186	$ 284,692	$ 255,494	$ 79,415	$ 192,746	$ 272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97
2010	597,429	305,995	269,290	97,715	190,490	288,205	0.93
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	291,434	135,760	189,696	288,205	1.01
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	411,789	469,159	208,860	185,297	394,157	1.19

(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.

San Francisco Water Department (4)

Fiscal Year	Gross Revenues (5)	Less: Operating Expenses (6)	Adjustments (8)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2007	$ 241,078	$ 202,498	$ 112,101	$ 150,681	$ 16,160	$ 48,955	$ 65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 (7)	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 (7)	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 (7)	139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476 (7)	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462 (7)	192,312	2.31
2016	423,111	314,786	283,568	391,893	29,695	189,500 (7)	219,195	1.79

(4) 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.
(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.
(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2015 also includes "springing" amendments.
(8) 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.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges (9)(10)	Less: Operating Expenses (11)(12)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2007	$ 31,801	$ 16,907	$ 14,894	$ 5,734	$ 1,989	$ 7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
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	132,853	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

(9) 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.
(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) 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.
(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.
(12) Effective FY2013, related to the new bonds as described in Note (10), 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.

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise (13)

Fiscal Year	Gross Revenues (14)	Less: Operating Expenses (15)	Adjustments (16)	Net Available Revenue (17)	Debt Service Principal	Debt Service Interest (17)	Debt Service Total (17)	Coverage (17)
2007	$ 199,160	$ 151,600	$ 49,600	$ 97,160	$ 33,445	$ 16,718	$ 50,163	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
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

(13) 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.
(14) Gross revenue consists of charges for services, rental income and other income.
(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.
(16) 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.
(17) Restated to match the published Annual Disclosure Reports for FY 2007, 2008, 2009.
(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2015 also includes a "springing" amendment.

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
2007	$ 65,416	$ 50,887	$ 14,529	$ 3,975	$ 453	$ 4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	68,722	57,574	11,148	4,185	222	4,407	2.53
2010	68,892	58,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	485	2,358	2,843	7.73
2012	79,819	55,470	24,349	670	2,175	2,845	8.56
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	96,266	60,836	35,430	1,400	2,771	4,171	8.49
2016	100,653	64,896	35,757	1,225	2,951	4,176	8.56

(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.
(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.

Hetch Hetchy Water and Power (22) (23)

Fiscal Year	Gross Revenues (24)	Less: Operating Expenses (25)	Adjustments (26)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2007	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	48,334	422	-	422	114.54
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
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	1,422	2,364	3,786	8.73

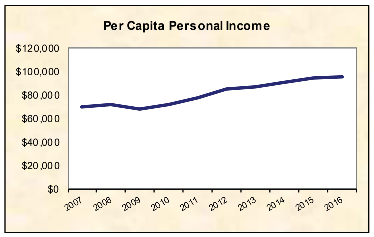
(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(23) There were no Hetch Hetchy bonds from 2006 to 2008.
(24) Gross revenues consists of charges for power services, rental income and other income.
(25) Operating expenses only include power operating expense.
(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

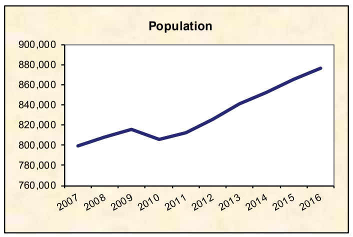
CITY AND COUNTY OF SAN FRANCISCO

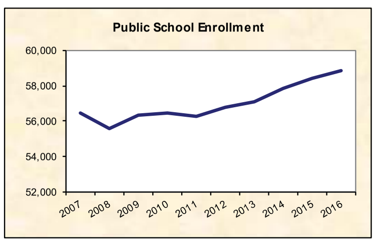
DEMOGRAPHIC AND ECONOMIC STATISTICS

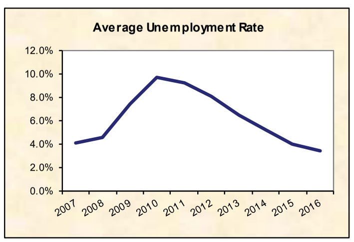
Last Ten Fiscal Years

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)
2007	799,185	$56,306,703	$70,455	39.4	56,459	4.1%
2008	808,001	58,199,006	72,028	40.0	55,590	4.6%
2009	815,358	55,559,545	68,141	40.4	56,315	7.4%
2010	805,235	57,619,120	71,556	38.5	56,454	9.7%
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	864,816 (7)	82,143,355 (8)	94,984 (9)	37.8 (10)	58,414	4.0%
2016	876,799 (7)	84,010,283 (8)	95,815 (9)	37.8 (10)	58,865	3.4%









Sources:
(1) US Census Bureau. Fiscal year 2015 is updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2009 to 2014 are updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2009 to 2014 are 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) 2015 is updated from last year's CAFR with newly available data. 2016 population was estimated by multiplying the estimated 2016 population by the 2014 - 2015 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2015 and 2016 remained at the 2014 level of 3.90 percent. Fiscal years 2009 to 2014 are updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2015 and 2016 was estimated by dividing the estimated personal income for 2015 and 2016 by the reported and estimated population in 2015 and 2016, respectively. Fiscal years 2009 to 2014 is updated from la year's CAFR with newly available data.
(10) Median age for 2015 and 2016 was estimated by averaging the median age in 2014 and 2015.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers

Current Year and Nine Years Ago

	Year 2015 (1)			Year 2006		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	28,846	1	5.46%	29,500	1	7.41%
University of California, San Francisco	24,304	2	4.60%	17,500	2	4.39%
San Francisco Unified School District	9,483	3	1.80%	5,557	6	1.40%
Wells Fargo & Co.	8,245	4	1.56%	8,139	3	2.04%
California Pacific Medical Center	6,000	5	1.14%	6,115	5	1.54%
Salesforce	5,331	6	1.01%	-	-	-
Kaiser Permanente	5,249	7	0.99%	3,918	10	0.98%
PG&E Corporation	4,381	8	0.83%	4,800	8	1.21%
Gap, Inc.	4,268	9	0.81%	4,075	9	1.02%
Dignity Health	2,550	10	0.48%	-	-	-
State of California	-	-	-	6,226	4	1.56%
United States Postal Service	-	-	-	4,935	7	1.24%
Total	98,657		18.68%	90,765		22.79%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2015 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Protection										
Fire Department	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464	1,494	1,575
Police	2,765	2,870	2,949	2,757	2,681	2,665	2,655	2,727	2,784	2,871
Sheriff	939	951	1,016	1,048	953	1,010	1,013	984	1,015	1,006
Other	978	1,019	996	981	969	956	1,021	1,032	1,049	1,077
Total Public Protection	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207	6,342	6,529
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,374	4,358	4,528	4,358	4,160	4,141	4,388	4,484	4,685	4,931
Airport Commission	1,220	1,228	1,248	1,233	1,294	1,377	1,443	1,460	1,473	1,493
Department of Public Works	1,040	1,060	1,030	822	791	783	808	825	852	925
Public Utilities Commission	1,596	1,609	1,580	1,549	1,584	1,616	1,620	1,621	2,002	2,023
Other	538	543	565	490	508	536	583	612	626	627
Total Public Works, Transportation and Commerce	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002	9,638	9,999
Community Health										
Public Health	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602
Total Community Health	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602
Human Welfare and Neighborhood Development										
Human Services	1,745	1,812	1,810	1,662	1,685	1,691	1,750	1,855	1,964	2,046
Other	313	312	309	296	284	269	244	244	246	242
Total Human Welfare and Neighborhood Development	2,058	2,124	2,119	1,958	1,969	1,960	1,994	2,099	2,210	2,288
Culture and Recreation										
Recreation and Park Commission	922	942	919	898	851	834	841	870	905	923
Public Library	631	641	649	649	645	628	640	652	661	662
War Memorial	96	96	97	63	63	63	63	57	58	65
Other	199	204	203	199	201	199	210	213	214	214
Total Culture and Recreation	1,848	1,883	1,868	1,809	1,760	1,724	1,754	1,792	1,838	1,864
General Administration and Finance										
Administrative Services	438	505	539	647	616	637	723	716	751	804
City Attorney	324	327	318	306	300	299	303	308	308	306
Telecommunications and Information Services	270	307	265	252	210	196	199	216	209	221
Controller	184	188	198	180	194	201	198	204	219	253
Human Resources	156	155	144	138	119	123	124	135	157	166
Treasurer/Tax Collector	208	208	212	220	211	208	202	211	225	218
Mayor	51	57	55	49	42	37	49	49	50	55
Other	520	571	547	554	540	567	561	602	615	658
Total General Administration and Finance	2,151	2,318	2,278	2,346	2,232	2,268	2,359	2,441	2,534	2,681
General City Responsibility	-	-	-	-	-	-	-	-	-	-
Subtotal annually funded positions	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667	28,846	29,962
Capital project funded positions	1,628	1,750	1,519	1,928	1,885	1,892	1,486	1,569	1,310	1,380
Total annually funded positions	28,788	29,635	29,321	28,649	27,994	28,073	28,387	29,236	30,156	31,342

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	8:04	7:36	7:06	7:10	7:19	7:18	7:30	7:57	8:12	7:68
Police										
Average time from dispatch to arrival on scene for highest priority calls (1)	3:15	4:08	3:49	3:33	4:07	4:15	4:59	4:20	4:55	2:07
Number of homicides per 100,000 population (2)	9.6	11.8	8.2	5.3	6.3	7.4	6.2	4.7	6.6	N/A
Percentage of San Franciscans who report feeling safe or very safe crossing the street	48%	N/A	56%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	49%	N/A	50%	N/A	52%	N/A	N/A	N/A	54%	N/A
Number of blocks of City streets repaved	243	334	310	312	427	346	521	323	474	721
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	2.84	N/A	2.98	N/A	3.55	3.02	3.38	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	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%	59.9%
Percentage of scheduled service hours delivered (3)	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%	99.0%
Airport										
Percent change in air passenger volume	2.8%	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%	6.7%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	69%	70%	72%	77%	78%	80%	N/A	N/A	N/A	N/A
Culture and Recreation										
Recreation and Park										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good	57%	N/A	65%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected	86%	88%	89%	91%	90%	91%	91%	91%	85%	86%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	75%	N/A	79%	N/A	79%	N/A	85%	N/A	92%	N/A
Circulation of materials at San Francisco libraries	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums (4)	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284

Source: Controller, City and County of San Francisco

Notes:

(1) Measure changed from median time to average time in FY 2008. Values for FY 2006 through FY 2007 reflect median time, FY 2008 through FY 2016 reflects average time.
(2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.
(3) Values for FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(4) The California Academy of Sciences opened on September 27, 2008.

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	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,304	2,455	2,356	2,261	2,288	2,243	2,164	2,130	2,203	2,332
Fire protection (2)										
Number of stations	42	42	42	42	46	46	46	46	47	47
Number of firefighters	1,012	978	809	768	778	718	817	896	907	995
Public works										
Miles of street (3)	1,051	1,291	1,318	1,317	1,317	1,315	1,315	1,299	1,287	1,287
Number of streetlights (4)	42,029	42,957	43,492	43,973	44,530	44,594	44,655	44,656	44,907	44,498
Water (4)										
Number of services	170,873	172,471	172,885	172,680	173,033	173,454	173,744	173,970	174,111	174,083
Average daily consumption (million gallons)	247.1	247.5	236.6	219.9	213.6	212.0	215.1	217	190	171
Miles of water mains	1,457	1,457	1,465	1,465	1,473	1,488	1,488	1,488	1,499	1,489
Sewers (4)										
Miles of collecting sewers	993	993	993	993	993	959	986	993	993	993
Miles of transport/storage sewers	15	17	17	17	17	17	24	17	17	17
Recreation and cultures										
Number of parks (5)	209	222	222	220	220	220	221	221	220	220
Number of libraries (6)	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) (6)	2.7	2.8	2.9	3.3	3.5	3.6	3.5	3.6	3.6	3.8
Public school education (7)										
Attendance centers	112	112	112	115	115	115	115	116	116	117
Number of classrooms	3,256	3,269	2,723	2,779	2,797	2,797	2,877	3,135	3,160	3,219
Number of teachers, full-time equivalent	3,103	3,113	3,167	3,312	3,132	3,245	3,129	3,129	3,281	3,339
Number of students	55,497	56,259	55,272	55,779	55,571	56,310	56,970	57,620	58,414	58,865

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
(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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following are summaries of the Project Lease, the Property Lease and the Trust Agreement. They do not purport to be complete or definitive, and are qualified in their entirety by the full forms of such agreements, copies of which are available from the Trustee and the City.

SUMMARY OF PROJECT LEASE

Definitions. Unless the context otherwise requires, the following terms have the following meanings for purposes of the Project Lease. All other capitalized terms used without definition have the meanings set forth in the Trust Agreement.

"Additional Rental" means the amounts specified in the Project Lease.

"Base Rental" means the amounts specified in the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, but does not include Additional Rental.

"Business Day" means any day other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificates" means the Certificates of Participation (Moscone Convention Center Expansion Project), Series 2017B and any Additional Certificates authorized by and at any time Outstanding under and pursuant to the Trust Agreement.

"City" means the City and County of San Francisco, and its successors and assigns.

"City Representative" means the Mayor, the Controller, the Director of Public Finance, or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to the Project Lease, the Property Lease, the Trust Agreement and all other agreements related thereto.

"Director of Property" means the City's Director of Real Property or any successor officer of the City who performs substantially the same duties as the Director of Real Property performs as of the date of the Project Lease.

"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.

"Fiscal Year" means the fiscal year of the City, which at the date of the Project Lease is the period from July 1 to and including the following June 30.

"Hazardous Substances" means any and all substances, wastes, pollutants and contaminants now or hereafter included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

"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 Encumbrances" has the meaning provided in the Project Lease.

"Pro Forma Policy" means the Pro Forma Title Insurance Policy prepared by the Title Company with respect to the Site.

"Project" means the 2017 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented from time to time in accordance with the Project Lease.

"Project Lease" means the Project Lease, including any amendments or supplements thereto made or entered into in accordance with the terms of the Project Lease and of the Trust Agreement.

"Project Lease Event of Default" means the occurrence and continuation of any event specified below.

"Project Lease Term" means the term of the Project Lease, as provided in the Project Lease.

"Project Lease Year" means the period from the Closing Date through June 30, 2018, and thereafter the period from each July 1 to and including the following June 30, during the Project Lease Term.

"Property Lease" means the Property Lease by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto.

"Rental Payments" means all Base Rental and Additional Rental payable under the Project Lease.

"Risk Manager" means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of the Project Lease.

"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.

"State" means the State of California.

"Substantial Completion" or "Substantial Completion of the 2017 Project" means the construction, the installation of improvements and the substantial readiness of the Project for use and occupancy by the City (subject to minor architectural finish items e.g., 'punch list' items) as evidenced by the delivery of the Certificate of Substantial Completion.

"Trustee" means U.S. Bank National Association, as lessor under the Project Lease and as trustee under the Project Trust (as defined in the Trust Agreement), or as Certificates Trustee under the Trust Agreement, as appropriate, or any successor thereto.

"2017 Project" means the acquisition, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of a convention facility and related property located between 3rd and 4th Streets and Mission and Folsom Streets in San Francisco, California.

Project Lease Term; Transfer of Title to City.

The Project Trustee leases the Leased Property to the City, and the City leases the Leased Property from the Project Trustee and agrees to pay the Base Rental and the Additional Rental for the right to use and occupy the Leased Property.

The term of the Project Lease shall begin on the Closing Date and end on the earliest of (a) April 1, 2042, or (b) at such earlier date as the Certificates and all other amounts due under the Project Lease and under the Trust Agreement shall have been paid or provision for their payment shall 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 thereof; 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 shall end on the earlier of April 1, 2052, or the date on which no Certificates remain outstanding and all Additional Rental has been paid. The foregoing provisions may be modified in connection with Base Rental relating to Additional Certificates.

Upon the termination of the Project Lease (except as otherwise provided therein), all of the Project Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, shall 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 Project Trustee. Upon such termination, the Project Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Rent.

Rental Payments. The City agrees, subject to the terms the Project Lease, to pay to the Project 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 shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner set forth in the Project Lease, such amounts constituting the aggregate rent payable under the Project Lease.

(a) **Base Rental**. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth in the Project Lease, which constitutes the principal and interest evidenced and represented by the Certificates. The Base Rental consists of annual rental payments with principal and interest components. The interest components of the Base Rental payments evidenced by the Certificates shall accrue and be calculated as provided in the Trust Agreement. The Base Rental payable by the City shall be due on April 1 and October 1 in each year and payable on each April 1 and October 1 during the Project Lease Term, commencing October 1, 2017. The Base Rental may be supplemented pursuant to the terms of a supplement to the Project Lease in connection with Additional Certificates as provided in the Trust Agreement.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as evidenced and represented by the Outstanding Certificates, according to their tenor.

Notwithstanding any other provision of the Project Lease, the City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Base Rental Fund held under the Trust Agreement (or will be transferred from the Capitalized Interest Account or the Reserve Fund to the Base Rental Fund pursuant to the Trust Agreement) and are available for the payment of Base Rental evidenced by the Certificates or (ii) investment earnings on Permitted Investments (as defined in the Trust Agreement) will be deposited in or credited to the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

(b) **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 Project 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 Project 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 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 shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall 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.

Consideration. The payments of Rental Payments under the Project Lease for each Fiscal Year or portion thereof during the Project Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration for the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Property by the City for and during such Fiscal Year or portion thereof. The parties to the Project Lease have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of the Project Lease and to the general public by reason of the City's use of the Leased Property. Further, the parties to the Project Lease agree and acknowledge that supplements to the Project Lease which provide for new schedules of Base Rental may be entered into in connection with Additional Certificates and that the right to enter into such supplements is part of the consideration under the Project Lease.

Budget. The City covenants to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budget and to make the necessary annual appropriations for all such Rental Payments, except as otherwise provided in 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 shall 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 shall 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 otherwise provided in the Project Lease, any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Project Trustee under the Project Lease, the City shall make all Rental Payments when due and shall not 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 shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, except as otherwise provided in the Project Lease.

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 shall be subject to abatement in accordance with this paragraph during any period in which, 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, 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 shall 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 shall 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 shall continue in full force and effect, except as set forth in the Project Lease. 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 Lease.

Triple Net Lease. The Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for in the Project Lease shall be an absolute net return to the Project Trustee free and clear of any expenses, charges or set-offs whatsoever.

Affirmative Covenants of the Project Trustee and the City. The Project Trustee and the City are entering into the Project Lease in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The City shall, 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 shall 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 shall not be required to repair or replace any such portion of the Leased Property pursuant to this paragraph if there shall 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 under the Project Lease 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 shall 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 provided for in the Project Lease, the City is entitled to use and occupy the Leased Property and the Project Trustee shall have 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 Project Trustee shall 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 Project 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 shall 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 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 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 (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 agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Project 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 shall 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 Project 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 shall constitute Additional Rental under the Project Lease and shall be payable directly to the entity assessing such taxes or charges.

Insurance.

(a) The City shall maintain or cause to be maintained, throughout the Project Lease Term:

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Said policy or policies shall provide coverage in the following minimum amount: $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. 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 shall, 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 shall be 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) 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 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 shall not be subject to any deductible.

(v) 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.

(vi) Builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Project, which insurance shall be outstanding until Substantial Completion of the 2017 Project.

All policies of insurance required under clauses (ii), (iii), (iv) and (v) above shall name the City and the Trustee as the insured parties and shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance may provide for a deductible amount that is commercially reasonable (as determined by the Risk Manager).

(b) All policies of insurance required by the Project Lease shall be in a form or forms certified by the Risk Manager (as provided below) to be in compliance with the requirements of the Project Lease. The City shall pay when due the premiums for all insurance policies required by the Project Lease. All insurance under the Project Lease shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given 30 days' notice of cancellation (10 days if for nonpayment of premium) or intended non-renewal. All insurance required to be maintained pursuant to the Project Lease may be maintained either separately or as a part of any insurance carried by the City, but if maintained as part of other insurance carried by the City, shall specifically identify the Leased Property as being covered by such insurance, the amount of coverage applicable to the Leased Property, and the amount of the deductible applicable to the Leased Property. All insurance must be provided by a commercial insurer rated "A-, VIII" or higher by A.M. Best Company.

The City shall certify in writing to the Trustee each year that there is in effect the insurance or self-insurance required by the Project Lease. The Risk Manager will also, at that time, file the written recommendation required by the Project Lease if no earthquake insurance has been obtained by the City, and shall also certify that the insurance the City has obtained pursuant to the Project Lease is in a form or forms which are in compliance with the requirements of the Project Lease.

Notwithstanding anything in the Project Lease to the contrary, the City shall have 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; provided that (i) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager, and (ii) any reserves set aside for such program shall be certified at least annually as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any of the Mayor, Controller, Director of Property or Director of Public Finance of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by the Project Lease, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the Certificates. The Trustee shall not be responsible for the adequacy, sufficiency or coverage of the insurance or self-insurance required or allowed by the Project Lease.

(c) The City shall 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, showing fee title of the Site in the name of the City and 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 shall 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 shall 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 shall 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 shall be borne by the City, and the Trustee shall 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.

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.

Acquisition, Construction and Renovation of the Project. The City shall use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Project will be substantially completed in accordance with the aforesaid plans and specifications. The City shall cause the acquisition, construction, renovation, installation or improvement to the Project to be completed in accordance with any applicable requirements of governmental authorities and law.

Application of Insurance Proceeds.

(a) **General**. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of the Leased Property by fire or other casualty or event, or proceeds of, earthquake insurance, if such earthquake insurance is obtained, shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If there is an abatement of Rental Payments pursuant to the Project Lease as a result of such casualty or event, and the City elects pursuant to the Trust Agreement to apply such insurance proceeds and such other sums as are deposited pursuant to such section to the prepayment of Certificates rather than to the replacement or repair of the destroyed or damaged portion of the Leased Property, then the Project Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the Trustee or the date the amount required by the Trust Agreement is received by the Trustee and in either case, after payment of any Additional Rental owed under the Project Lease. If the City elects, pursuant to the Trust Agreement, to apply such proceeds to the repair or replacement of the portion of the Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of the Leased Property.

(b) **Title Insurance**. Proceeds of title insurance received with respect to the Leased Property shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement.

Eminent Domain.

Total Condemnation. 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, shall be taken under the power of eminent domain, then the Project Lease shall terminate as of the later of the day possession shall be so 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 shall again begin to accrue with respect thereto upon replacement of the Leased Property.

Partial Condemnation. If less than a substantial portion of the Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the Project Lease shall 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 shall 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 shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Prepayment of Rental Payments.

(a) The City may prepay, or may cause to be prepaid, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the principal component of Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Certificates being prepaid in integral multiples of $5,000 so that the aggregate annual amount of Certificates maturing in each year after such prepayment date shall each be in an integral multiple of $5,000, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a certificate of a City Representative, provided that at the time of such apportionment, the City shall deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining Project Lease Term shall not exceed the fair rental value of the Leased Property during each subsequent Project Lease Year and that the resulting Base Rental payments are sufficient to pay the scheduled principal and interest components evidenced by the Certificates.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement. Such optional prepayment may be made (i) in whole in an amount not exceeding the amount of the Certificates then Outstanding (including accrued and unpaid interest and any premium on the Certificates) on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement, or (ii) in part in amounts that result in the Certificates being prepaid in integral multiples of $5,000 on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement, from such Base Rental payments as are selected by the City as set forth in a request of the City in each case at a prepayment price equal to the sum of the Certificates to be prepaid plus accrued interest thereon to the date of prepayment plus any premium on the Certificates as set forth in the Trust Agreement. As a condition to prepaying Base Rental payments under this paragraph, the City shall first deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled principal and interest components evidenced by the Certificates. Base Rental Payments due under the Project Lease may also be defeased in whole or in part pursuant to the Trust Agreement.

(c) The City may prepay, from any source of available funds, the Base Rental payments due on or after the Base Rental payment date immediately preceding the date on which the Certificates are subject to mandatory prepayment pursuant to the Trust Agreement.

(d) Before making any prepayment pursuant to the Project Lease, the City shall give written notice to the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made.

Assignment. The City shall not 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 shall be, and shall 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 shall 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 shall 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 in the Project Lease. In no event shall the City 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.

Additions and Improvements; Removal. The City shall 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 shall 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 shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with the Project Lease.

Right of Entry. Representatives of the Trustee shall, 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, shall, at all times during the Project Lease Term, peaceably and quietly have, hold, and enjoy the Leased Property.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the City 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.

Default by City.

(a) **Events of Default**. The following shall be events of default under the Project Lease: (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Project Lease by the related Interest Payment Date; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Project Lease; or (iii) the City shall breach any other terms, covenants or conditions contained in the Project Lease, in the Property Lease or in the Trust Agreement, and shall fail 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, shall fail 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 shall not constitute an event of default under the Project Lease.

(b) **Remedies on Default**. The Trustee shall have the right, at its option, without any further demand or notice, 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 in the Project Lease. The Trustee or any assignee of the rights of the Trustee under the Project Lease shall not exercise its remedies under the Project Lease 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, in no event shall the Trustee have the right to accelerate the payment of any Base Rental under the Project Lease.

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 shall not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

The Trustee waives any right of the Trustee to re-let the Leased Property.

Waiver. The waiver by the Trustee of any breach by the City, and the waiver by the City of any breach by the Trustee of any term, covenant or condition of the Project Lease shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition of the Project Lease.

Addition, Release and Substitution. If no Project Lease 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, provided that the City shall have 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 hereto or 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 hereto or 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, shall 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.

No Merger. If both the Trustee's and the City's estate under the Project Lease or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, the Project Lease and the estate created by the Project Lease shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and, unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates. The City covenants not to permit or consent to any such merger as long as any Certificates are Outstanding.

Further Assurances and Corrective Instruments. The City and the Trustee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased pursuant to the Project Lease or intended to be so leased or for carrying out the express intention of the Project Lease.

SUMMARY OF PROPERTY LEASE

Definitions. All capitalized terms used in the Property Lease and not otherwise defined shall have the meanings given to such terms in the Project Lease and the Trust Agreement.

Lease of Leased Property. The City leases to the Project Trustee the real property located in San Francisco, California and described in the Exhibit attached thereto (the "Site"), together with all buildings and improvements now situated or hereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms of the Property Lease and (ii) to Permitted Encumbrances. The City also grants to the Project Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Project Trustee may require in order to fulfill its obligations under the Property Lease and under the Project Lease.

Ownership. The City represents that it is the sole owner of and holds (or with respect to uncompleted improvements or portions thereof, will hold, when completed) fee title to the Leased Property, subject to Permitted Encumbrances.

Term. The Property Lease shall commence on the earlier of the Closing Date or the date of recordation of the Property Lease in the official records of the City and County of San Francisco and end on the date of the termination of the Project Lease.

Upon termination of the Property Lease, all of the Project Trustee's interest in the Leased Property shall vest with the City.

Rent. The Trustee shall pay to the City an advance rent in the amount of the net proceeds of the 2017B Certificates as prepaid rental and rent of $1 per year as consideration for the Property Lease over its term.

Purpose. The Project Trustee shall use the Leased Property only for the purposes described in the Project Lease and for such other purposes as may be incidental thereto.

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 Project Trustee shall not assign, mortgage, hypothecate or otherwise encumber the Property Lease or any rights under the Property Lease or the leasehold created by the Property Lease 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 Project 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.

Expiration. The Project Trustee agrees, upon the expiration of the Property Lease, to quit and surrender the Leased Property together with all improvements thereon; it being the understanding of the parties hereto that upon termination of the Property Lease title to the Leased Property shall vest in the City free and clear of any interest of the Project Trustee or any assignee of the Project Trustee.

Quiet Enjoyment. The Project Trustee at all times during the term of the Property Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property.

Taxes. The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Leased Property and all buildings and improvements thereon.

Eminent Domain. If the whole or any part of the Leased Property shall be taken under the power of eminent domain, the interest of the Project Trustee shall be recognized and is determined to be the aggregate amount of unpaid Base Rental payments under the Project Lease through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, as assignee of the interest of the Project Trustee under the Property Lease, in accordance with the terms of the Project Lease and the Trust Agreement.

Default. In the event that the Project Trustee or its assignee shall be 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 shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate the Property Lease by reason of any default on the part of the Project Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Project Trustee or any successor in interest to the Project Trustee shall duly perform the terms and conditions of the Property

Lease, such assignee shall be deemed to be and shall become the tenant of the City under the Property Lease and shall be entitled to all of the rights and privileges granted under any such assignment.

SUMMARY OF TRUST AGREEMENT

Appointment of Trustee; Definitions

Appointment of Trustee. The Trustee is appointed to act solely as set forth in the Trust Agreement, to receive, hold and disburse in accordance with the terms of the Trust Agreement the money to be paid to it, to execute and deliver the Certificates, which represent proportionate interests in the Project Lease, including the Base Rental payments payable thereunder, to apply and disburse payments received pursuant to the Project Lease to Owners of such Certificates, to enforce the rights of the Trustee under the Project Lease, and to perform certain other functions, all as provided therein. By executing and delivering the Trust Agreement, the Trustee accepts the contractual and fiduciary duties and obligations provided in the Trust Agreement, but only upon the terms and conditions set forth therein.

Definitions. Unless the context otherwise requires, the following terms have the meanings set forth below. All other capitalized terms used in the Trust Agreement without definition shall have the meanings given to such terms in the Project Lease.

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to the Trust Agreement.

"Additional Rental" means the amounts specified as such in the Project Lease.

"Administrative Code" means the San Francisco Administrative Code, as amended from time to time.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"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 specified in a supplement to the Project Lease in connection with Additional Certificates, but does not include Additional Rental.

"Base Rental Fund" means the fund of that name established pursuant to the Trust Agreement.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificate Counsel" means a law firm that is nationally recognized in the practice of municipal finance.

"Certificate Payment Date" means, with respect to any Certificate, the April 1 date designated therein, which is the date on which the principal component of the Base Rental evidenced and represented thereby shall become due and payable.

"Certificate Register" means the books referred to in the Trust Agreement.

"Certificate Year" shall have the meaning assigned to such term in the Tax Certificate.

"Certificates" means the 2017B Certificates and all Additional Certificates under the Trust Agreement.

"City" means the City and County of San Francisco, and its successors and assigns.

“City Representative” means the Mayor, the Controller, the Director of Public Finance or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to the Trust Agreement, the Project Lease, the Property Lease and all other agreements related hereto and thereto.

“Closing Date” means the date of original execution and delivery of the 2017B Certificates and, as appropriate, the date of original execution and delivery of any Additional Certificates.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means one or more Continuing Disclosure Certificates executed by the City, dated a Closing Date, as originally executed and as each may be amended from time to time.

“Costs of Issuance” means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Property Lease, the Project Lease, the Certificates and the preliminary and final official statements pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Project and with respect to the validation proceedings occurring in connection therewith; any computer and other expenses incurred in connection with the Certificates; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); fees and expenses of financial advisors; premium for title insurance; fees and expenses of publication of notices; and other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the financing for the Project, to the extent such fees and expenses are approved by a City Representative.

“Costs of Issuance Fund” means the fund of that name established pursuant to the Trust Agreement.

“Credit Facility” means any letter of credit, line of credit, insurance policy, surety bond or other credit source deposited with the Trustee by the City to satisfy the Reserve Requirement as of the Closing Date.

“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.

“Depository” means DTC and its successors and assigns, or if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the City discontinues use of the Depository pursuant to the Trust Agreement, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Certificates and which is selected by the City.

"Director of Property" means the City's Director of Property or any successor officer of the City who performs substantially the same duties as the Director of Property performs as of the date of the Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Electronic Notice" means notice given by The Bond Buyer Wire or Bloomberg Business News.

"Event of Default" means any one or more of the events described in the Trust Agreement.

"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.

"Financing Documents" mean the Trust Agreement, the Property Lease, the Project Lease and the Continuing Disclosure Certificate, including any amendments or supplements to any of the foregoing documents.

"Fiscal Year" means the fiscal year of the City being July 1 to the following June 30 or any subsequent fiscal year adopted by the City.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"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.

"Independent Counsel" means an attorney or firm of attorneys selected by the City.

"Interest Payment Date" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being April 1 and October 1 in each year, commencing October 1, 2017, and continuing until the Certificate Payment Date or earlier prepayment date of the Certificates.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained under the Trust Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Proceeds" means any net proceeds of insurance or condemnation proceeds paid with respect to the affected portion of the Leased Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

"Outstanding" when used as of any particular time with respect to any Certificate, means any Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) any Certificate paid in accordance with its terms;

(b) any Certificate theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(c) any Certificate for the payment or prepayment of which funds or Defeasance Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether prior to the Certificate Payment Date or prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(d) any Certificate purchased by the City; and

(e) any Certificate in lieu of or in exchange for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Participants" means a member of or participant in, the Depository.

"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 systemwide 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 shall 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), which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not 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 shall require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(l) 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 prerefunded 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.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prepayment Notice" shall have the meaning assigned to such term in the Trust Agreement.

"Prepayment Price" means the principal amount evidenced and represented by the Certificates, plus any applicable premium.

"Principal Office of the Trustee" means the corporate trust office of the Trustee, or such other office that the Trustee may designate in writing to the City from time to time as the corporate trust office for purposes of the Trust Agreement.

"Project" means the 2017 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Project Costs" means the contract price paid or to be paid to or at the direction of any contractor for the acquisition, construction, installation or improvement to, or rehabilitation of, the Project, and reimbursement to the City for any payments made for or in connection with the acquisition of or improvement to the Project by the City prior to or subsequent to the Closing Date.

"Project Fund" means the fund of that name established pursuant to the Trust Agreement.

"Project Lease" means that certain Project Lease, by and between the Project Trustee and the City, including any amendments or supplements thereto.

"Project Lease Term" means the term of the Project Lease.

"Project Lease Year" means the period from the Closing Date through June 30, 2018, and thereafter the period from July 1 to and including the following June 30, as the case may be, during the Project Lease Term.

"Project Trust" means the trust established pursuant to the Trust Agreement.

"Project Trustee" means the Trustee, in its capacity as trustee of the Project Trust pursuant to the Trust Agreement.

"Property Lease" means that certain Property Lease, by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto

"Rating Agencies" means S&P, Fitch and/or Moody's, whichever then has a current rating on the Certificates.

"Rebate Fund" means the fund of that name established pursuant to the Trust Agreement.

"Record Date" means any Regular Record Date.

"Regular Record Date" means the close of business on the 15th day of the calendar month next preceding each Interest Payment Date, whether or not a Business Day.

"Reserve Fund" means the fund of that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation, the least of (i) maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates or (iii) 10% of the principal amount evidenced by the Certificates originally executed and delivered. The Reserve Requirement shall be applied separately for each series of Certificates or on an aggregate basis if the Reserve Fund or any account therein secures more than one series of Certificates on a parity basis.

"S&P" means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sinking Account Installment" means the principal amount evidenced and represented by the Certificates required to be paid on any Interest Payment Date pursuant to the Trust Agreement.

"Site" means the real property, as described in Exhibit A to 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.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate dated the Closing Date and executed by the City and as appropriate any Tax Certificate executed by the City in connection with Additional Certificates.

"Tax-Exempt" means, with respect to interest on, or evidenced and represented by, any obligations of a state or local government, including the 2017B Certificates, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Treasurer" means the Treasurer of the City and County of San Francisco.

"Trust" means the "Moscone Convention Center Expansion Project Trust" established pursuant to the Trust Agreement.

"Trust Agreement" means the Trust Agreement by and between the City and the Trustee, including any amendments or supplements to the Trust Agreement.

"Trust Estate" means all right, title and interest granted to the Trustee in the granting clauses of the Trust Agreement.

"Trustee" or "Certificates Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, acting in its capacity as such under the Trust Agreement, or any successor appointed as therein provided.

"2017 Reserve Account" means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2017B Certificates.

"2017B Certificates" means the Certificates of Participation (Moscone Convention Center Expansion Project), Series 2017B, authorized by the Trust Agreement and at any time Outstanding under the Trust Agreement.

"Written Certification," "Written Direction" or "Written Request" means an instrument in writing signed on behalf of the City by a City Representative.

Certificates of Participation

Authorization. The Trustee is authorized and directed to execute and deliver the 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.

Description of the Certificates. Each Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Certificates shall be dated the Closing Date. The Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to the Trust Agreement.

Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or signatory of the Trustee.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like series, denomination and Certificate Payment Date and evidencing and representing the same interest rate in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed with a certificate of destruction furnished to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee and a City Representative and an indemnity satisfactory to the Trustee and a City Representative has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like series, tenor and denomination in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered and of the expenses that may be incurred by the Trustee in carrying out its duties thereunder. Any Certificate executed and delivered in lieu of any Certificate claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates. In lieu of delivering a new Certificate for one which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for prepayment, the Trustee may make payment of the principal, premium, if any, or interest evidenced and represented by such Certificate, subject to receipt of an indemnity satisfactory to it.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of the Trust Agreement (except as otherwise provided therein), if made in the following manner, the fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified; of an officer of any bank or trust company located within the United States of America; or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him or her the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his or her authority.

Nothing contained in the Trust Agreement shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of such matters which it may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Certificate Register. The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall at all times during regular business hours be open to inspection by the City and an Owner with an interest of not less than 10% of the aggregate principal evidenced and represented by the Certificates then Outstanding. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions of the Trust Agreement, register, or register the transfer of, the Certificates, or cause the same to be registered or cause the transfer of the same to be registered, on such books.

Non-presentment of Certificates. In the event any Certificate shall not be presented for payment when the principal evidenced and represented thereby becomes due, if funds sufficient to pay such Certificate shall be held by the Trustee for the benefit of the Owner thereof, all liability of the City to the Owner thereof for the payment of principal, premium, if any, and interest evidenced and represented by such Certificate shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (except as otherwise provided in the Trust Agreement), without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Certificate.

Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying any amount evidenced and represented by such Certificate shall be held in trust for the Owner of such Certificate, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of one year after the date on which any payment evidence and represented by such Certificate shall have become due and payable shall be paid to the City; provided, however, that the Trustee shall, before making any such payment, notify the City and, at the direction and expense of the City, shall cause notice to be mailed to the Owner of such Certificate, by first-class mail, postage prepaid, and by a single publication in The Bond Buyer or The Wall Street Journal (or if such notice cannot be published in The Bond Buyer or The Wall Street Journal, in some other financial newspaper selected by the Trustee which regularly carries such notices for obligations similar to the Certificates) not less than 90 days prior to the date of such payment to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be returned to the City. During any period in which the Trustee holds such unclaimed money, the Trustee shall not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized. Thereafter, the Owner of such Certificate shall look only to the

City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

Limited Obligation. The Trustee shall pay all principal, premium, if any, and interest evidenced and represented by the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid under the Trust Agreement with respect to payment of principal, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid.

Funds and Accounts

Establishment and Application of Project Fund. There is established in trust a special fund designated as the "Project Fund," which fund shall be deemed held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in the Trust Agreement. There shall be deposited in the Project Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to the Trust Agreement.

The Trustee shall, from time to time, disburse money from the Project Fund to pay Project Costs, as provided in the Trust Agreement, in each case promptly after receipt of, and in accordance with, a Written Request of the City. Each officer of the City required to execute such Written Request shall have full authority to execute such Written Request without any further approval of the Board of Supervisors of the City.

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or the performance of any construction and similar contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under the Trust Agreement.

Notwithstanding any other provision of the Trust Agreement, the City may, in its sole discretion and at any time, direct the Trustee to transfer moneys on deposit in the Project Fund representing investment earnings on amounts therein to the Base Rental Fund if the City determines, in its sole discretion that such moneys will not be needed for the improvement of the Project. The Trustee shall make such transfer upon the receipt of a request executed by a City Representative directing it to make such transfer.

Establishment and Application of Base Rental Fund.

Base Rental Fund. There is established in trust a special fund designated as the "Base Rental Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in the Trust Agreement. The Base Rental Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Project Lease, or until such earlier date as there are no Certificates Outstanding. The Trustee shall deposit in the Base Rental Fund (i) all Base Rental payments, (ii) all amounts, if any, required to be deposited in the Base Rental Fund pursuant to the Project Lease, (iii) all investment earnings required to be deposited therein pursuant to the provisions of the Trust Agreement, (iv) all amounts required to be deposited pursuant to paragraph (b) below and (v) that portion of the proceeds of the Certificates required to be deposited therein pursuant to the Trust Agreement.

Payments of Base Rental received by the Trustee under the Project Lease shall be net of amounts in the Reserve Fund in excess of the Reserve Requirement on each succeeding Interest Payment Date and net of amounts on deposit in the Base Rental Fund that are available for the payment of interest and principal evidenced and represented by the Certificates. These amounts shall be deposited into the Base Rental Fund, as appropriate, based upon the Project Lease, as adjusted pursuant to the terms thereof.

Moneys held in the Base Rental Fund, other than as provided below, shall be applied by the Trustee to the payment of (i) interest due and payable evidenced and represented by the Certificates on each Interest Payment Date and (ii) principal or Sinking Account Installment, if any, due and payable evidenced and represented by the Certificates on each Interest Payment Date. In the event insufficient amounts are available in the Base Rental Fund or otherwise to pay interest and principal represented by the Certificates when due, available amounts shall be allocated proportionately among the Certificates based on the amount of interest and principal then due evidenced and represented by each Certificate.

Prepayment. Any net proceeds of insurance or awards in respect of a taking under the power of eminent domain not required to be used for repair or replacement of the Project or Leased Property, as applicable, and, under the terms of the Trust Agreement, required to be deposited into the Base Rental Fund, any amounts required to be transferred to the Base Rental Fund pursuant to the Trust Agreement, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee in the Base Rental Fund. The Trustee shall, on the scheduled prepayment date withdraw from the Base Rental Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the Certificates to be prepaid on such date.

Delinquent and Surplus Base Rental Payments. All delinquent Base Rental payments received pursuant to the Project Lease and any proceeds of rental interruption insurance received by the Trustee shall be deposited into the Base Rental Fund. All proceeds of rental interruption insurance and delinquent Base Rental payments so received shall be applied first to the payment of overdue installments of interest, then to the payment of overdue installments of principal and then to make up any deficiency in the Reserve Fund (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts remaining in the Base Rental Fund on each Interest Payment Date which are not required for the payment of principal or interest evidenced and represented by the Certificates on such Interest Payment Date shall be, first, transferred as directed in writing by a City Representative to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, retained in such Fund unless the City otherwise directs, in writing, that such amount be remitted to the City (except that any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the Base Rental Fund until expended).

Establishment and Application of Reserve Fund.

There is established in trust a special fund designated as the "Reserve Fund," together with such accounts therein as the City may request the Trustee to establish, which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in the Trust Agreement. There shall be initially deposited into the Reserve Fund the amount required to be deposited therein pursuant to the Trust Agreement.

The Reserve Fund shall be maintained by the Trustee until the Base Rental 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 may, at the City's option, be paid from the Reserve Fund.

A Credit Facility in the amount of the Reserve Requirement may be substituted for all or a portion of the funds held by the Trustee in the Reserve Fund by the City at any time, provided that with respect to any such substitution (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 prior to any such substitution becoming effective 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 Reserve Fund 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 evidenced and represented by the Certificates on such date, the Trustee shall transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts shall only be available for such series of 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.

For purposes of determining the amount on deposit at any time in the Reserve Fund, the Trustee shall value all Permitted Investments on or before each April 1 and October 1 at the higher of cost or market value. In making any such valuations under the Trust Agreement, the Trustee may utilize and rely upon securities pricing services that may be available to it, including those within its regular accounting system. Any moneys in the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, and at such other time or times as directed by the City in a written order signed by a City Representative and delivered to the Trustee, shall be transferred to the Base Rental Fund and applied to the payment of the principal and interest evidenced and represented by the Certificates on the next succeeding Interest Payment Date therefor, or transferred to such other fund as may be designated in such written order.

The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

The 2017 Reserve Account is established in connection with the 2017B Certificates. The 2017 Reserve Account shall only be available to support payments evidenced and represented by the 2017B Certificates.

Surplus. After (a) (i) payment or prepayment or provision for payment or prepayment of all amounts due evidenced and represented by the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of the Certificates pursuant to the Trust Agreement, and (b) the transfer of any additional amounts required to be deposited into the Rebate Fund pursuant to a Written Request from a City Representative in accordance with the Tax Certificate, any amounts remaining in any of the funds, accounts or subaccounts established under the Trust Agreement (except for the Rebate Fund) and not required for such purposes shall after payment of any amounts due to the Trustee as evidenced by a Written Certificate of a City Representative, be remitted to the City and used for any lawful purpose thereof; provided, however, that in the event of defeasance, amounts shall not be remitted to the City until the City has delivered or caused to be delivered an opinion of Independent Counsel to the effect that remission of such amounts to the City shall not affect the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates. Investment Earnings on amounts on deposit in all funds, accounts or subaccounts established under the Trust Agreement shall be applied as provided in the Trust Agreement.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Project Lease, the Trustee shall establish a separate fund for such Additional Rental and deposit any such amounts therein and such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Project Lease or the Trust Agreement. Notwithstanding the foregoing, to the extent such Additional Rental was for deposit into the Rebate Fund, such amounts shall be deposited into such fund.

Repair or Replacement.

Application of Insurance Proceeds. If the Leased Property or any portion thereof shall be damaged or destroyed, the City shall make an election either to prepay Certificates or to repair or replace the Leased Property or affected portion thereof in accordance with the provisions of the Project Lease. Notwithstanding the provisions of the Project Lease, a City Representative shall, within 180 days of the occurrence of the event of damage or destruction (unless such time period is extended at the option of the City), notify the Trustee in writing of its election. The proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Leased Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund (the "Special Fund") and made available for and, to the extent necessary, shall be applied to the prepayment of Certificates in accordance with the Trust Agreement or applied to the cost of repair or replacement of the Leased Property or the affected portion thereof, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely on 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 insurance, including the proceeds of any self-insurance, remaining after the Leased Property or any portion thereof which was damaged or destroyed is restored to and made available to the City in substantially the same condition and fair rental value as that which existed prior to the damage or destruction or the prepayment, or provision for the prepayment, of Certificates as required in the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, 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 after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, 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, 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 shall so notify the Trustee in writing, and then any excess amounts shall 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.

Eminent Domain. If the Leased Property or any portion thereof shall be 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 shall apply. Notwithstanding the provisions of the Project Lease, the City shall, with the prior written consent of a City Representative, 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 prepaid. The proceeds of any condemnation award shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, shall 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 on 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 in the Trust Agreement, in each case as evidenced by a certificate signed by a City

Representative to such effect, shall 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 shall, 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, 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 shall so notify the Trustee in writing, and then any excess amounts shall 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 shall be applied and disbursed by the Trustee as follows:

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 shall 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 shall, 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, 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 shall 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.

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 shall use the insurance proceeds to remove the title defect, or (ii) the Trustee shall, 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, deposit such proceeds in the Base Rental Fund, and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Trust Agreement shall be paid to the City to be used for any lawful purpose.

Application of Amounts after Default by City. All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Project Lease shall be held and applied in accordance with the Trust Agreement.

Moneys Held in Trust. The money and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the purposes therein specified, and such money and investments, and any income or interest earned thereon, shall be expended only as provided therein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the City, (ii) the Trustee, or (iii) any Owner or beneficial owner of any Certificate.

Investments Authorized. Money held by the Trustee in any fund or account under the Trust Agreement shall be invested by the Trustee in Permitted Investments, pending application as provided in the Trust Agreement, solely at the Written Direction of a City Representative, shall be registered in the name of the Trustee, if registrable, for the benefit of the Owners, and shall be held by the Trustee. A City Representative shall, where applicable, direct the Trustee prior to 12:00 p.m. Pacific time on the Business Day prior to the date any Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. Money held in any fund, account, or subaccount under the Trust Agreement may be commingled for purposes of investment only; provided, however, that each fund, account, or subaccount held by the Trustee under the Trust Agreement shall be accounted for separately. If a City Representative shall fail to provide the Trustee with Written Direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clause (a) that mature on the day prior to the next Interest Payment Date or in Permitted Investments described in clause (d) of the definition thereof, whichever yield is greater on the date of such investment; provided, however, that with respect to funds on deposit in the Reserve Fund, absent Written Direction to the Trustee, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clauses (a), (d) or (h), which (i) will mature on the day prior to the next Interest Payment Date; and (ii) bears the highest net yield.

The Trustee understands and acknowledges that any investments and reinvestments shall be made after giving full consideration to the time at which funds are required to be available under the Trust Agreement and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement; provided, however, that investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not invest any moneys held under the Trust Agreement in Permitted Investments offered by or through the Trustee or its affiliates unless (1) the Trustee determines such investment is consistent with the investment restrictions contained in the Trust Agreement, (2) all fees charged are reasonable, and (3) a City Representative expressly consents in writing to the investment of the funds in the specific Permitted Investment. The foregoing consent must be received for each specific investment; blanket consents shall have no effect. All consents must be express and in writing and signed by a City Representative.

Reports. The Trustee shall furnish monthly to the City a report of all investments made by the Trustee, which will contain a list of investments and the interest payment dates of such investments, and of all amounts on deposit in each fund and account maintained under the Trust Agreement, and the cost and market value of such investments, provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero and (b) has not had any activity since the last report was delivered.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement other than the Reserve Fund, all Permitted Investments shall be valued on or before each April 1 and October 1 at the greater of cost or market value. All Permitted Investments on deposit in the Reserve Fund shall be valued on or before each April 1 and October 1. The Trustee may sell at the best price obtainable (the highest bid among three arm-length bids deemed to be satisfaction of such requirement), but not to itself, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account under the Trust Agreement, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or misconduct.

Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it under the Trust Agreement with respect to the Certificates as follows (i) all Investment Earnings on amounts on deposit in the Base Rental Fund and the Project Fund (except as otherwise provided in the Trust Agreement) shall be retained therein; (ii) all Investment Earnings on amounts on deposit in the Reserve

Fund shall be transferred to the Base Rental Fund, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund; (iii) all Investment Earnings on amounts on deposit in the Rebate Fund shall be retained therein; and (iv) all Investment Earnings on amounts on deposit in the Costs of Issuance Fund shall be retained therein; in each case, until such moneys are expended or such funds are closed as provided in the Trust Agreement.

Establishment and Application of Rebate Fund. There is established in trust a special fund designated the "Rebate Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the Rebate Fund. Amounts on deposit in the Rebate Fund shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

Prepayment and Purchase of Certificates

Certificates No Longer Outstanding. When any Certificate or portion thereof has been duly called for prepayment prior to its Certificate Payment Date under the provisions of the Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to its Certificate Payment Date at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient money shall be held by the Trustee irrevocably in trust for the payment of the Prepayment Price of such Certificate, or portion thereof, and accrued interest represented thereby to the date fixed for prepayment, all as provided in the Trust Agreement, then such Certificate or portion thereof shall no longer be deemed Outstanding under the provisions of the Trust Agreement. If the City shall acquire any Certificate by purchase or otherwise, such Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

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 10 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 the Trust Agreement. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related 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.

The Trustee

Appointment of the Trustee. The City appoints the Trustee to receive, deposit and disburse the Base Rental and Additional Rental, to register, execute, deliver and transfer the Certificates and to perform the other functions contained in the Trust Agreement; all in the manner provided in the Trust Agreement and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts such appointment and accepts the rights and obligations of the Trustee provided in the Trust Agreement, subject to the conditions and terms of the Trust Agreement. In carrying out its duties under the Trust Agreement, the Trustee shall use the same degree of care and skill in its exercise as a prudent person would exercise or use in the conduct of such person's own affairs.

Duties and Liabilities of Trustee.

(a) **Duties of Trustee Generally**. The Trustee shall, prior to an Event of Default, and after the curing, or the waiving by the Owners of the Certificates as provided in the Trust Agreement, of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) **Removal of Trustee**. The City may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Trust Agreement, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) **Resignation of Trustee**. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City and to the Owners. Upon receiving such notice of resignation, the City shall appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment, other than pursuant to court order.

(d) **Appointment of Successor Trustee**. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in the Trust Agreement. If no qualified successor Trustee shall have been appointed and have accepted appointment within 60 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Trust Agreement, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but nevertheless at the written request of a City Representative or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions therein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Trust Agreement, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Trust Agreement to the Owners at the addresses shown on the registration books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) **Trustee Qualifications**. There shall at all times be a trustee under the Trust Agreement, which shall be a corporation, banking association or trust company doing business and having a corporate trust office in California and (i) having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority or (ii) a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) above. If such corporation, banking association, or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Trust Agreement, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the Trust Agreement to be the successor to such trustee, without the execution or filing of any paper or any further act, anything in the Trust Agreement to the contrary notwithstanding.

Liability of Trustee.

(a) The Trustee shall be responsible for its representations contained in the Certificates. The Trustee shall not be responsible for the sufficiency of the Property Lease, Project Lease or of the title to or value of the Leased Property. The Trustee shall be under no responsibility or duty with respect to: (i) the execution and delivery of the Certificates for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received and held by it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct, or breach of an obligation under the Trust Agreement. The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

(c) The Trustee is authorized and directed, in its capacity as Trustee under the Trust Agreement, to execute the Property Lease and the Project Lease.

(d) Except with respect to Events of Default specified in the Trust Agreement, Trustee shall not be deemed to have knowledge of any Event of Default unless and until the Trustee shall have actual knowledge thereof or the Trustee shall have received written notice thereof at the Corporate Trust Office.

(e) The Trustee (i) may execute any of the trusts or powers set forth in the Trust Agreement and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers and (ii) shall be entitled to the advice of counsel and to rely conclusively on such advice.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of its rights or powers.

(h) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital found in any official statement or other disclosure material, prepared or distributed with respect to the execution and delivery of the Certificates, except for information provided by the Trustee.

(i) Every provision of the Project Lease and Property Lease relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement.

(j) In acting as Trustee under the Trust Agreement and under the Property Lease and the Project Lease, the Trustee acts solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity, and all persons, including without limitation the Owners and the City, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment, except as otherwise provided in the Trust Agreement. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidence by the Certificates.

(k) Before taking any remedial action under the Trust Agreement or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorney and advisors, and protect it against all liability it may incur.

(l) Notwithstanding anything to the contrary in the Trust Agreement, the Trustee shall not be required to enter or take possession of, or take any other action whatsoever with respect to the Leased Property or the Site unless it shall be satisfied that it will not be subject to liability for the existence of, or contamination by environmentally hazardous substances of any kind whatsoever or other discharges, emissions or release thereof with respect to the Leased Property or the Site.

Creation of the Project Trust; Assignment; Acceptance. There is created by the City, as trustor, a trust named the "Moscone Convention Center Expansion Project Trust" for the benefit of the holders from time to time of the Certificates. The Trustee is appointed to act as trustee with respect to the Trust (the "Project Trustee"). The purpose of the Trust will be to (a) act as lessee under the Property Lease, (b) to act as sublessor under the Project Lease, and (c) to assign certain of its rights and interests under the Property Lease and the Project Lease to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Trust shall consist of all right, title and interest of the Trust in, to and under the Property Lease and the Project Lease and the proceeds thereof. The City, as trustor, and the Project Trustee, as trustee of the Trust, acknowledge and agree that the arrangement created by the Trust Agreement is intended to and shall constitute a grantor trust for federal income tax purposes. Neither the City, as trustor nor the Project Trustee, as trustee, shall pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Project Lease and the Trust Agreement. The Trust established by the Trust Agreement shall terminate when no Certificates remain Outstanding under the Trust Agreement.

The Project Trustee, as trustee of the Project Trust, for the sum of one dollar and other good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, transfers, and assigns to the Certificates Trustee, without recourse, all of its rights, title, and interest under the Property Lease and the Project Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Project Lease, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee, as trustee of the Project Trust, has any right or claim under the Property Lease or the Project Lease, other than Additional Rental not payable to the Project Trustee, as trustee of the Project Trust, (iii) the right to take all actions and give all consents under the Property Lease and the Project Lease, (iv) any rights of access provided in the Property Lease and the Project Lease, and (v) any and all other rights and remedies of the Project Trustee, as trustee of the Project Trust, in the Property Lease as lessee and the Project Lease as lessor.

The Certificates Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such rights and obligations so assigned shall be exercised by the Certificates Trustee as provided in the Trust Agreement.

Amendments

Amendments to Trust Agreement. The Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount evidenced and represented by Certificates then Outstanding. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided by the Trust Agreement 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 (a) 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, (b) 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 shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates, (d) 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, (e) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or (f) 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 of the Trust Agreement, 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 sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive principal and interest evidenced and represented by his or her Certificate without the consent of the affected Owner. No such amendment or supplement shall (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 of the Trust Agreement or any supplement thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend such provision of the Trust Agreement regarding amendments, 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 shall 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 evidenced and represented by Certificates then Outstanding. Notwithstanding the foregoing, 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 shall 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 sentence 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 shall be effective unless and until the City shall have 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, shall 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 shall not affect the validity of the proceedings for the obtaining of such consent.

Any such written consent shall 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 provided in the Trust Agreement.

After the Owners of at least a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding shall have consented in writing, the governing body of the City shall adopt a resolution accepting such consents and such resolution shall 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 shall 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 shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Additional Certificates. The City may, from time to time, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Project Lease, on a parity with the Outstanding Certificates. The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement to the Trust Agreement, in substantially the form of Exhibit F to the Trust Agreement, providing for such series of Additional Certificates which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable which are evidenced and represented by the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under the Trust Agreement to provide for the payment of principal, premium, if any, and interest evidenced and represented by such Additional Certificates, (ix) the Reserve Requirement immediately following the issuance of such Additional Certificates, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the City shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of amendments to the Project Lease and Property Lease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal and interest evidenced and represented by the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Property, and (ii) the insurance provisions of the Project Lease shall provide adequate coverage for any new Leased Property. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence shall be evidenced by a written certificate of a City Representative. If appropriate, such amendment may contain any modifications necessary to include additional real property, buildings or improvements in the Leased Property in connection with the issuance of such Additional Certificates.

(c) Evidence that any amendments to any Property Lease or Project Lease or executed in connection with such Additional Certificates have been duly recorded in the official records of the recorder of the City.

(d) An opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to the Trust Agreement and any amendments to the Project Lease and Property Lease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Trust Agreement and have been duly and validly authorized, executed and delivered by the City, as appropriate, and constitute the valid and binding obligations of the City, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest evidenced and represented by the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

Covenants

Tax Matters. The following covenants apply to those Certificates the interest on which is excluded from gross income for Federal income tax purposes.

(a) **General**. The City covenants with the holders of the Certificates that, notwithstanding any other provisions of the Trust Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Certificates under Section 103 of the Code.

(b) **Use of Proceeds**. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the City, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code (or, if applicable, the 1954 Code) and the continued qualification of the Certificates as "governmental bonds."

(c) **Arbitrage**. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

(d) **Federal Guarantee**. The City shall not make any use of the proceeds of the Certificates or any other funds of the City, or take or omit to take any other action, that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) **Compliance with Tax Certificate**. In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth therein. These covenants shall survive payment in full or defeasance of the Certificates.

Performance. The City shall 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 shall 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 shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Events of Default

Events of Default. Any one or more of the following events are an "Event of Default" under the Trust Agreement:

(a) the City defaults under the Project Lease; or

(b) 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 clause (a) of the Trust Agreement, 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 evidenced and represented by the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate shall 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, the Trustee shall 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 evidenced and represented by the Certificates then Outstanding, shall 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 shall give notice, at the expense of the City of such Event of Default to the Owners. Such notice shall state that an Event of Default has occurred and shall 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 shall 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 shall be cumulative and shall be 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 shall 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 shall 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 shall also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest evidenced and represented by any Certificate shall 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 shall be restored to their former positions and rights under the Trust Agreement, respectively, but such waiver shall be limited to the particular breach so waived and shall not 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 evidenced and represented by 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 shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or in the Trust Agreement or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have 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 shall not 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 and interest then due and unpaid evidenced and represented by 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 shall be deposited by the Trustee into the Base Rental Fund and used first to pay interest evidenced and represented by the Certificates and then to pay the principal evidenced and represented by the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall 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 shall 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 shall 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 shall 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.

Miscellaneous

Defeasance. (a) If all Certificates shall be 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 shall 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 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, shall 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 shall be paid to the City.

(b) Any Certificate or portion thereof in an Authorized Denomination shall 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 evidenced and represented by 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 such purpose is fully sufficient to pay when due all principal, premium, if any, and interest due evidenced and represented thereby; 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 evidenced and represented by such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment.

(c) Notwithstanding the foregoing, no deposit under clauses (a)(ii) or (a)(iii) above shall be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate shall 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 under clauses (ii) and (iii) of subsection (a) above, a City Representative shall 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 by 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.

(d) 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, shall be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$412,355,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(MOSCONE CONVENTION CENTER EXPANSION PROJECT)
SERIES 2017B

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 issuance of the certificates captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of July 1, 2017, between the City and County of San Francisco (the "City"), and U.S. Bank National Association, as trustee (the "Trust Agreement"). Pursuant to Section 8.10 of the Trust Agreement, and Section 4.8 of that certain Project Lease dated as of July 1, 2017, 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 Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall 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" shall 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.

"Holder" shall 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" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall 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" shall 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" shall 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 shall, or shall 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 2017-18 Fiscal Year (which is due not later than March 27, 2018), 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 shall 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 shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall 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 shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (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 shall 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 schedule of aggregate annual debt service on tax-supported indebtedness of the City; and

(f) summary of outstanding and authorized but unissued tax-supported indebtedness 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 shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City shall 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; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, 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 shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall 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 shall 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 issuance 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 shall describe such amendment in the next Annual Report, and shall 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 shall 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 shall 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 shall 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. Default. 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, including seeking mandate or specific performance by court order, 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. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall 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 shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: July 6, 2017

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
(Moscone Convention Center Expansion Project), Series 2017B

Date of Delivery: July 6, 2017

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_____________________________________

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 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 Corporation takes no responsibility for the completeness or accuracy thereof. The Corporation 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.

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 each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 is rated "AA+" by Standard & Poor's. 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 and www.dtc.org.

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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the 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 the issuer or the paying agent or Certificate trustee, 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 nor its nominee, the paying agent or Certificate trustee, or the 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 the issuer or the paying agent or Certificate trustee, 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 the issuer or the paying agent or Certificate trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The 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.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX F

PROPOSED FORM OF SPECIAL COUNSEL OPINION

July 6, 2017

City and County of San Francisco
San Francisco, California

City and County of San Francisco Certificates of Participation
(Moscone Convention Center Expansion Project), Series 2017B
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the City and County of San Francisco (the "City") in connection with the execution and delivery of $412,355,000 aggregate principal amount of the City and County of San Francisco Certificates of Participation (Moscone Convention Center Expansion Project), Series 2017B (the "Certificates"). The Certificates are being delivered pursuant to a Trust Agreement, dated as of July 1, 2017 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as Trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, a Property Lease dated as of July 1, 2017 (the "Property Lease"), by and between the City and the Trustee, and a Project Lease, dated as of July 1, 2017 (the "Project Lease"), each by and between the Trustee and the City, a Tax Certificate of the City dated the date hereof (the "Tax Certificate"), opinions of counsel to the City and the Trustee, certificates of the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Property Lease, the Project Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of the Base Rental Payments designated as and evidencing interest paid by the City to be included in gross income for federal income tax purposes. We are delivering our opinion in reliance, in part, on the default judgment entered by the Superior Court of the State of

California for the County of San Francisco in favor of the City in the special validation proceeding *City and County of San Francisco v. All Persons Interested*, Case No. CGC 13-530566. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Property Lease, the Project Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium 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 cities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the Property Lease, the Project Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Property Lease, the Project Lease and the Trust Agreement have been duly executed and delivered by, and constitute valid and binding obligations of, the City.

2. The obligation of the City to make the Base Rental Payments during the term of the Project Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

3. The Certificates are entitled to the benefits of the Trust Agreement.

4. The portion of the Base Rental Payments paid by the City under the Project Lease designated as and evidencing interest 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 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of such interest.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY
Effective May 2016

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 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 non-negotiable time deposits (CDs) that are FDIC insured or fully collateralized in approved financial institutions.

The Treasurer's Office will invest in FDIC-insured CDs only with those firms having at least one branch office within the boundaries of the City and County of San Francisco.

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 federal deposit insurance. The Treasurer's Office shall have a signed agreement with any depository accepting City funds per Government Code Section 53649.

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 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	No Limit	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 second highest ranking or better (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 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 Funds	10% of total Pool assets	N/A	5%	N/A (397-day mandated final maturity maximum)
Institutional Prime Funds	5% of total Pool assets	N/A	N/A	60-day maximum final maturity

Issuer Minimum Credit Rating: Fund rating must be rated in at least the second highest rating category from two NRSRO or independent investment research firms (e.g. Morningstar or Lipper).

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
5%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term 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 and deferred deposit (payday-lending) businesses. 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.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA